



Comptroller of the Currency
Administrator of National Banks

VOLUME ELEVEN



Quarterly Journal

NUMBER

1

100m

Office of the Comptroller of the Currency

March 1992

Stephen R. Steinbrink (Acting)

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Senior Deputy Comptroller for Bank Supervision Operations
Senior Deputy Comptroller for Bank Supervision Policy
Senior Deputy Comptroller for Corporate Policy and Economic Analysis
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Background

The Office of the Comptroller of the Currency (OCC) was established in 1863 as a bureau of the Department of the Treasury. The OCC is headed by the Comptroller who is appointed by the President with the advice and consent of the Senate for a 5-year term.

The OCC regulates national banks by its power to

- Approve or deny applications for new charter branches, capital or other changes in corporate or banking structure
- Examine the banks
- Take supervisory actions against banks which do not conform to laws and regulations or which otherwise engage in unfair banking practices, including removal of officers, negotiation of agreements to change existing banking practices, and issuance of cease and desist orders, and
- Issue rules and regulations concerning banking practices and governing bank lending and investment practices and corporate structure

The Comptroller

Stephen R. Steinbrink has been Acting Comptroller of the Currency since March 1, 1992.

By statute, the Comptroller serves a concurrent term as a Director of the Federal Deposit Insurance Corporation and the Neighborhood Reinvestment Corporation. The Comptroller also serves as a member of the Federal Financial Institutions Examination Council.

Mr. Steinbrink joined the OCC in 1967 in Kansas City, Missouri, and was commissioned as a National Bank Examiner in 1970. In 1983, he was appointed Director for Bank Supervision/Regional Banks for the Southwestern District Office. Prior to his appointment as Acting Comptroller of the Currency, he also served as Deputy Comptroller for Multinational Banking and Senior Deputy Comptroller for Bank Supervision Operations.

Mr. Steinbrink is a native of Falls City, Nebraska, and is a 1967 graduate of the University of Nebraska.

The OCC divides the United States into six geographical districts, each headed by a Deputy Comptroller.

Each district is headed through a Director in the central Comptroller's office.

The following is the monthly report for the most significant actions and policies of the Office of the Comptroller of the Currency for the months of September and December. The Quarterly Report includes the most significant actions and policies, and testimony material released in the interim period. The monthly and quarterly reports are also available on the Internet at www.occ.treas.gov. The quarterly report is also available in paper form from the Senior Editor of Communications, Director of Communications, or the Office of the Comptroller of the Currency. The quarterly report is also available in paper form from the Senior Editor of Communications, Director of Communications, or the Office of the Comptroller of the Currency.

APR 20 1992

Quarterly Journal



Office of the
Comptroller of the Currency

Stephen R. Steinbrink

Acting Comptroller of the Currency

The Administrator of National Banks

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Operations of National Banks

The aggregate net income of 3,778 reporting national banks was 29 percent greater in 1991 than in 1990. According to the preliminary 1991 operating results of these banks, the aggregate net income reached \$9.51 billion for 1991, compared with \$7.37 billion in 1990. Return on average equity (ROE) climbed to 7.76 percent, from 6.38 percent in 1990, but remained below the average of 9.47 percent for the last decade. Similarly, return on average assets (ROA) rose to .49 percent from .38 percent in 1990. The improvement for 1991 was concentrated in banks with assets over \$1 billion and showed up most dramatically in the fourth quarter. The overall improvement in earnings occurred even though earnings fell sharply from 1990 levels in the Office of the Comptroller of the Currency's (OCC) Western District.

Assets Plateau, Total Loans Decline, Real Estate Loans Increase

Total assets of national banks increased by less than 1 percent from the end of 1990 and remained virtually unchanged from the end of the third quarter of 1991. Total loan volume at national banks fell \$9.97 billion in the fourth quarter. This was the fifth quarterly decline since loan volume peaked at \$1,286 billion in the third quarter of 1990. Total loan volume at the end of 1991 was \$1,231.55 billion, down \$51.9 billion from year-end 1990 and about the same level as at midyear 1989. Only the Central and Midwestern districts reported increases in total loans for the fourth quarter and for the whole year.

Following a \$4.69 billion decrease in the third quarter, which interrupted at least five years of growth, real estate loans increased by \$4.27 billion in the fourth quarter. Banks in the Southeastern and Western districts and the OCC's Multinational banks reported fourth quarter decreases in real estate loan volume.

National Banks Increase Capital

National banks continued to add to their capital levels during the fourth quarter; indeed, equity capital at national banks increased every quarter in 1990 and 1991. During 1991, total equity capital at national banks increased by \$7.56 billion to \$127.47 billion, a 6.3 percent increase.

Capitalization, the ratio of equity to assets, increased to 6.40 percent from 6.04 percent in 1990 and 6.31 percent at the end of the third quarter. This is the highest

year-end equity-to-assets ratio in the last decade. All size classes and all districts reported increases in capitalization for both the fourth quarter and all of 1991.

Big Banks Earn More, Western Banks Earn Less

Big banks reported the biggest swing in net income from 1990 levels. Banks with assets of between \$1 billion and \$10 billion reported aggregate net income of \$3.35 billion in 1991, compared with \$2.05 billion in 1990, a 63 percent increase. The biggest banks, those with assets in excess of \$10 billion, reported aggregate net income of \$2.91 billion in 1991, compared to \$2.29 billion in 1990, a 27 percent increase. For the biggest banks the increase in aggregate earnings from 1990 reflects the absence of the Bank of New England, which lost \$543 million in 1990 and was closed in early 1991.

The increase in the aggregate earnings of the biggest banks from 1990 to 1991 occurred despite increased provisioning for loan losses, which decreases net income. Even after the closing of the Bank of New England, which had made loan loss provisions of \$420 million in 1990, loan loss provisions at the largest banks rose from \$10.07 billion in 1990 to \$12.07 billion in 1991, a 20 percent increase.

Among the OCC's districts, only the Western District suffered a significant decline in earnings from 1990 levels. Western District national banks earned \$670 million in 1991, compared with \$1.574 billion in 1990, a 57 percent decrease. In the fourth quarter, they lost \$100 million and made loan loss provisions of \$990 million, more than double the amount set aside in the fourth quarter of 1990. ROE fell to 5.32 percent from 13.52 percent in 1990.

An Unusual Fourth Quarter for Earnings and Loan Loss Provisions

The improvement in earnings from 1990 was reported in the last six months of 1991 and was concentrated in the fourth quarter. After the first six months of 1991, earnings were down 15 percent compared with the first half of 1990. After the third quarter, 1991 earnings still lagged the previous year's level by 6 percent. Fourth quarter 1991 earnings were \$2.56 billion, but only \$40 million in the fourth quarter of 1990.

The increase in quarterly earnings from the third to the fourth quarter was unusual by historical standards. For

the first time in at least 10 years, fourth quarter aggregate net income exceeded third quarter aggregate net income. On average over the last five years, fourth quarter net income had fallen below third quarter net income by \$1.61 billion. In 1991, however, fourth quarter earnings exceeded third quarter earnings by \$580 million.

The surge in 1991 fourth quarter earnings should not be taken as a sign of a sudden, late-year shift in the fortunes of national banks. Instead, the quarterly increase partly reflects the spreading of provisions for loan losses across the other quarters of the year. Fourth quarter provisions accounted for 30 percent of the total in 1991, compared with 35 percent in 1990. That change in the quarterly pattern held across all size classes of national banks, and was especially pronounced in the biggest banks, where the ratio of fourth quarter to total annual provisions fell from 40 percent in 1990 to 33 percent in 1991. Among the OCC's districts, only in the Western District was the pattern reversed, with 37 percent of 1991 provisions occurring in the fourth quarter, compared with 33 percent a year earlier.

Credit Quality Problems Persist

Indications are that credit quality problems, while not increasing, still persist. Noncurrent loans remain at

record levels, having increased slightly from \$51.76 billion in 1990 to \$51.77 billion in 1991. Since total loans declined by \$51.9 billion, the ratio of noncurrent loans to total loans increased to 4.20 percent from the year-end 1990 level of 4.03 percent.

Real estate loans continue to be a primary source of credit quality weaknesses at national banks. At the end of 1991, real estate loans made up 41.08 percent of total loan volume; however, 52.75 percent of noncurrent loan volume was real estate loans. The ratio of noncurrent to total real estate loans was 5.4 percent at the end of 1991, compared with 5.03 percent at the end of 1990.

Repossessed real estate owned by national banks climbed 24 percent from 1990, to \$17.96 billion in 1991.

The largest banks continue to have credit quality problems. For banks with assets in excess of \$10 billion, noncurrent loans as a percent of total loans increased from 5.04 percent in 1990 to 5.47 in 1991. Their noncurrent real estate loans were 7.39 percent of real estate loans in 1991, compared with 6.30 percent in 1990. Repossessed real estate also grew from \$6.83 billion in 1990 to \$10.03 billion in 1991.

Mark Winer
Banking Research and Statistics

Aggregate Performance Data for National Banks, 1986 - 1991
 (Data through year-end 1991)

	1986	1987	1988	1989	1990	1991
Industry Structure						
Number of Banks	4,851	4,603	4,333	4,165	3,968	3,778
Number of Banks with Losses	1,149	1,018	766	647	607	478
Number of Failed Banks	48	61	83	110	95	44
Income Statement (\$Billions)						
Year-To-Date						
Net Income	9.52	-0.28	13.61	10.39	7.37	9.51
Net Operating Cash Flow	21.04	23.40	24.04	27.79	27.64	28.40
Net Interest Income	56.17	58.95	63.89	66.89	67.29	70.89
Noninterest Income	22.79	25.67	27.65	32.74	34.67	36.40
Noninterest Expense	54.73	58.48	61.43	66.09	70.15	74.93
Loan Loss Provision	14.02	24.55	10.93	18.17	20.84	21.83
Net Loan Loss	10.36	10.62	12.41	14.96	18.81	21.14
Fourth Quarter						
Net Income	2.29	1.05	3.74	0.07	0.04	2.56
Net Operating Cash Flow	5.46	6.55	7.14	7.59	6.94	7.80
Net Interest Income	14.34	15.47	17.94	16.93	17.10	18.59
Noninterest income	6.13	7.53	7.34	9.12	9.28	10.07
Noninterest Expense	14.58	15.76	16.43	17.58	18.74	20.40
Loan Loss Provision	3.79	5.49	3.37	7.68	7.22	6.52
Net Loan Loss	3.09	3.88	3.37	6.13	5.16	5.81
Performance Ratios (%)						
Year-To-Date						
Return on Equity	9.73	-0.28	13.16	9.40	6.38	7.76
Return on Assets	0.57	-0.02	0.76	0.55	0.38	0.49
Net Interest Income to Assets	3.38	3.41	3.56	3.51	3.46	3.62
Loss Provision to Assets	0.84	1.42	0.61	0.95	1.07	1.12
Noninterest Income to Assets	1.37	1.49	1.54	1.72	1.79	1.86
Noninterest Expense to Assets	3.29	3.38	3.42	3.47	3.61	3.83
Real Estate Loans to Loans	28.48	31.88	34.14	36.42	39.10	41.08
Noncurrent Loans to Loans	2.85	3.75	3.02	3.20	4.03	4.20
Noncurrent RE Loans to RE Loans	2.76	3.14	2.60	3.40	5.03	5.40
Loss Reserve to Loans	1.67	2.87	2.50	2.53	2.66	2.76
Loss Reserve to Noncurrent Loans	58.69	76.58	82.72	78.97	65.92	65.77
Net Loan Loss to Loans	1.01	0.98	1.08	1.21	1.50	1.71
Loss Provision to Net Loan Loss	135.34	231.23	88.05	121.46	110.76	103.26
Equity Capital to Assets	5.87	5.64	5.86	5.75	6.04	6.40
Primary Capital to Assets + Reserves	7.07	7.57	7.58	7.48	7.83	8.16

Banking Research and Statistics

Aggregate Condition Data for National Banks, 1986 - 1991
 (Data through year-end 1991)

	1986	1987	1988	1989	1990	1991
<i>Assets</i>						
Total Assets	1,740.48	1,769.92	1,846.17	1,976.07	1,983.89	1,991.72
Total Liabilities	1,320.53	1,348.48	1,415.09	1,502.75	1,555.66	1,578.67
Capital Reserves	1,638.18	1,670.06	1,737.94	1,862.31	1,863.98	1,864.24
Net Assets	230.32	264.16	397.64	443.74	379.17	319.07
Total Securities	253.39	272.41	275.14	294.33	312.86	362.34
Total Loans	1,082.51	1,121.51	1,194.12	1,279.97	1,283.40	1,231.55
Real Estate Loans	308.32	357.55	407.63	466.22	501.80	505.91
Commercial & Industrial Loans	375.51	367.23	375.58	388.27	385.12	347.85
Loans to Individuals	208.92	214.76	233.89	252.06	238.89	235.29
Noncurrent Loans	30.82	42.05	36.05	40.98	51.76	51.77
Noncurrent Real Estate Loans	8.51	11.22	10.61	15.87	25.26	27.31
Other Real Estate Owned	4.98	6.19	6.74	9.22	14.44	17.96
Restructured Loans	1.27	1.40	1.53	1.35	4.78	5.41
Loan Loss Reserve	18.09	32.20	29.82	32.36	34.12	34.05
Equity Capital	102.23	99.78	108.15	113.68	119.91	127.47
Primary Capital	124.33	136.44	142.29	150.23	158.08	165.27
<i>Balance Sheet Changes (\$Billions)</i>						
<i>Year-To-Date Gains (Losses)</i>						
Assets	110.56	29.44	76.26	129.89	7.82	7.83
Loans	74.64	39.01	72.60	85.85	3.43	-51.86
Real Estate Loans	44.59	49.23	50.07	58.59	35.58	4.11
Loan Loss Reserve	3.65	14.12	-2.38	2.54	1.76	-0.07
Noncurrent Loans	3.04	11.24	-6.00	4.92	10.79	0.01
Noncurrent Real Estate Loans	2.33	2.71	0.61	5.26	9.38	2.05
Other Real Estate Owned	1.07	1.21	0.55	2.48	5.23	3.52
Restructured Loans	1.27	0.13	0.13	-0.18	3.42	0.63
Equity Capital	6.10	-2.45	8.38	5.52	6.23	7.56
Primary Capital	9.94	12.11	5.84	7.94	7.85	7.19
<i>Fourth Quarter Gains (Losses)</i>						
Assets	76.06	44.37	30.78	56.15	4.78	0.22
Loans	41.33	25.13	22.67	24.01	2.54	-9.97
Real Estate Loans	15.42	12.93	10.35	11.58	4.01	4.31
Loan Loss Reserve	0.68	1.69	2.30	1.69	2.18	1.29
Noncurrent Loans	-0.91	-0.06	-5.75	-0.02	4.45	-1.54
Noncurrent Real Estate Loans	0.15	0.59	2.62	1.66	3.39	-0.70
Other Real Estate Owned	0.16	0.19	1.38	1.23	1.81	0.87
Restructured Loans	0.06	0.14	0.10	-0.02	1.20	0.40
Equity Capital	1.43	0.45	2.25	-0.51	0.14	1.90
Primary Capital	2.24	1.31	-0.22	1.18	2.21	3.25

Banking Research and Statistics

Aggregate Performance Data for National Banks by Asset Size
 (Data through year-end 1991)

	Under \$300M		\$300M-\$1B		\$1B-\$10B		Over \$10B		Total	
	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991
Industry Structure										
Number of Banks	3,453	3,258	308	316	171	168	36	36	3,968	3,778
Number of Banks with Losses	526	409	34	32	36	28	11	9	607	478
Number of Failed Banks	91	36	3	3	1	3	0	2	95	44
Income Statement (\$Billions)										
Year-To-Date										
Net Income	1.88	2.03	1.15	1.23	2.05	3.35	2.29	2.91	7.37	9.51
Net Operating Cash Flow	3.08	2.92	2.30	2.44	10.26	10.03	12.00	13.00	27.64	28.40
Net Interest Income	9.91	9.86	6.15	6.45	22.28	23.62	28.96	30.96	67.29	70.89
Noninterest Income	2.53	2.64	1.97	2.18	10.27	12.76	19.91	18.83	34.67	36.40
Noninterest Expense	8.55	8.76	5.35	5.68	21.61	24.71	34.64	35.78	70.15	74.93
Loan Loss Provision	1.25	1.07	1.16	1.34	8.36	7.35	10.07	12.07	20.84	21.83
Net Loan Loss	1.00	0.94	0.94	1.18	5.73	6.46	11.14	12.56	18.81	21.14
Fourth Quarter										
Net Income	0.32	0.19	0.29	0.39	-0.45	0.89	-0.11	1.08	0.04	2.56
Net Operating Cash Flow	0.69	0.69	0.66	0.66	1.87	2.50	3.72	3.95	6.94	7.80
Net Interest Income	2.33	2.40	1.59	1.53	4.61	6.30	8.56	8.36	17.10	18.59
Noninterest Income	0.60	0.68	0.66	0.65	1.28	3.48	6.73	5.26	9.28	10.07
Noninterest Expense	2.11	2.20	1.46	1.36	4.27	6.84	10.91	10.00	18.74	20.40
Loan Loss Provision	0.39	0.27	0.38	0.34	2.38	1.91	4.07	4.00	7.22	6.52
Net Loan Loss	0.35	0.27	0.34	0.39	1.16	1.79	3.31	3.37	5.16	5.81
Performance Ratios (%)										
Year-To-Date										
Return on Equity	8.86	9.61	11.52	10.77	5.43	8.87	4.91	5.56	6.38	7.76
Return on Assets	0.73	0.79	0.80	0.78	0.32	0.55	0.25	0.31	0.38	0.49
Net Interest Income to Assets	3.84	3.86	4.25	4.10	3.51	3.88	3.20	3.31	3.46	3.62
Loss Provision to Assets	0.48	0.42	0.81	0.86	1.32	1.21	1.11	1.29	1.07	1.12
Noninterest Income to Assets	0.98	1.03	1.36	1.38	1.62	2.10	2.20	2.01	1.79	1.86
Noninterest Expense to Assets	3.31	3.43	3.70	3.61	3.40	4.06	3.83	3.82	3.61	3.83
Real Estate Loans to Loans	50.31	53.12	45.40	49.50	37.74	38.54	36.52	38.69	39.10	41.08
Noncurrent Loans to Loans	2.04	2.08	2.12	2.23	3.58	3.39	5.04	5.47	4.03	4.20
Noncurrent RE Loans to RE Loans	1.85	2.00	2.43	2.56	5.32	4.71	6.30	7.39	5.03	5.40
Loss Reserve to Loans	1.72	1.80	1.84	2.01	2.68	2.88	2.98	3.02	2.66	2.76
Loss Reserve to Noncurrent Loans	84.03	86.51	86.79	89.99	74.84	84.85	59.10	55.33	65.92	65.77
Net Loan Loss to Loans	0.70	0.68	1.02	1.21	1.38	1.69	1.84	2.03	1.50	1.71
Loss Provision to Net Loan Loss	125.21	114.13	123.48	113.68	145.86	113.66	90.34	96.12	110.76	103.26
Equity Capital to Assets	8.18	8.34	7.04	7.26	5.95	6.62	5.37	5.62	6.04	6.40
Primary Capital to Assets + Reserves	9.05	9.22	8.15	8.40	7.62	8.30	7.60	7.76	7.83	8.16

Banking Research and Statistics

Aggregate Condition Data for National Banks by Asset Size
(Data through year-end 1991)

	Under \$300M		\$300M-\$1B		\$1B-\$10B		Over \$10B		Total	
	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991
Assets	254.09	250.02	159.79	163.59	609.74	609.01	960.26	969.10	1,983.89	1,991.72
Loans	224.94	221.28	133.36	138.58	478.62	475.21	718.74	743.60	1,555.66	1,578.67
Real Estate	233.31	229.16	148.54	151.71	573.44	568.70	908.69	914.67	1,863.98	1,864.24
Commercial	29.56	25.46	25.65	21.17	123.94	109.87	200.02	162.58	379.17	319.07
Consumer	72.63	79.65	32.91	38.35	103.59	123.07	103.74	121.28	312.86	362.34
Other	139.74	132.88	101.41	99.94	394.47	376.68	647.78	622.05	1,283.40	1,231.55
Real Estate Loans	70.30	70.59	46.04	49.47	148.87	145.16	236.58	240.69	501.80	505.91
Commercial & Industrial Loans	28.61	24.91	22.36	19.78	111.02	93.75	223.13	209.41	385.12	347.85
Loans to Individuals	28.68	26.00	25.30	23.51	94.19	100.81	90.72	84.97	238.89	235.29
Noncurrent Loans	2.86	2.76	2.15	2.23	14.12	12.77	32.63	34.00	51.76	51.77
Noncurrent Real Estate Loans	1.30	1.41	1.12	1.27	7.92	6.84	14.91	17.80	25.26	27.31
Other Real Estate Owned	1.56	1.54	0.98	1.02	5.06	5.37	6.83	10.03	14.44	17.96
Restructured Loans	0.47	0.47	0.14	0.17	0.60	0.61	3.57	4.17	4.78	5.41
Loan Loss Reserve	2.40	2.39	1.87	2.01	10.57	10.84	19.28	18.82	34.12	34.05
Equity Capital	20.78	20.85	11.25	11.87	36.30	40.31	51.57	54.43	119.91	127.47
Primary Capital	23.21	23.26	13.17	13.92	47.28	51.46	74.43	76.63	158.08	165.27
Balance Sheet Changes (\$Billions)										
Year-to-Date Gains (Losses)										
Assets	-4.72	-4.08	14.12	3.79	-59.74	-0.73	58.16	8.84	7.82	7.83
Loans	-4.12	-6.86	7.67	1.48	55.01	17.79	54.88	-25.73	3.43	-51.86
Real Estate Loans	0.73	0.29	6.02	3.43	-11.52	-3.71	40.35	4.11	35.58	4.11
Loan Loss Reserve	0.00	0.01	0.25	0.14	1.07	0.27	0.45	-0.47	1.76	0.07
Noncurrent Loans	-0.09	0.09	0.31	0.08	3.27	-1.35	7.30	1.37	10.79	0.01
Noncurrent Real Estate Loans	0.01	0.11	0.22	0.15	2.11	1.09	7.05	2.88	9.38	2.05
Other Real Estate Owned	-0.12	-0.03	0.26	0.04	2.05	0.31	3.03	3.20	5.23	3.52
Restructured Loans	-0.10	0.00	-0.02	0.02	0.21	0.01	3.34	0.60	3.42	0.63
Equity Capital	0.05	0.07	1.43	0.62	2.27	4.01	7.03	2.86	6.23	7.56
Primary Capital	0.02	0.05	1.67	0.75	1.41	4.19	7.56	2.20	7.85	7.19
Fourth Quarter Gains (Losses)										
Assets	0.29	2.74	4.68	4.15	-14.95	14.50	14.77	-7.38	4.78	0.22
Loans	2.34	3.22	2.15	3.17	20.88	3.19	18.54	6.78	2.54	9.97
Real Estate Loans	-0.69	-1.08	0.81	0.44	-5.32	1.09	9.21	4.73	4.01	4.31
Loan Loss Reserve	0.01	0.09	0.02	0.05	0.62	0.24	1.54	1.18	2.18	1.29
Noncurrent Loans	0.10	0.21	0.09	0.23	1.01	0.64	3.63	-0.47	4.45	1.54
Noncurrent Real Estate Loans	0.02	-0.07	-0.06	0.11	0.95	0.31	2.47	-0.21	3.39	-0.70
Other Real Estate Owned	0.05	-0.05	0.10	0.01	0.89	-0.23	0.78	1.17	1.81	0.87
Restructured Loans	-0.01	0.00	-0.01	-0.02	0.03	0.11	1.19	0.31	1.20	0.40
Equity Capital	-0.39	0.08	0.38	-0.20	2.58	1.29	2.73	0.90	0.14	1.90
Primary Capital	0.39	-0.21	0.39	-0.27	-1.90	1.56	4.10	2.17	2.21	3.25

Banking Research and Statistics

Aggregate Performance Data for National Banks by OCC District
 (Data through year-end 1991)

	Northeastern	Southeastern	Central	Midwestern	Southwestern	Western	Multinational*	Total
Industry Structure								
Number of Banks	414	507	770	646	894	508	39	3 778
Number of Banks with Losses	88	79	44	34	117	105	11	478
Number of Failed Banks	14	5	2	0	21	2	0	44
Income Statement (\$Billions)								
Year-To-Date								
Net Income	0.98	1.54	2.72	1.18	0.72	0.67	1.71	9.51
Net Operating Cash Flow	4.80	3.79	4.61	1.71	1.40	3.23	8.85	28.40
Net Interest Income	13.10	10.24	11.02	4.30	5.25	8.03	18.96	70.89
Noninterest Income	6.30	3.98	4.23	1.93	2.00	3.50	14.46	36.40
Noninterest Expense	14.39	10.01	9.64	4.09	5.51	7.83	23.45	74.93
Loan Loss Provision	4.98	2.66	2.07	0.57	0.91	2.69	7.94	21.83
Net Loan Loss	4.62	2.36	1.71	0.55	1.13	1.60	9.18	21.14
Fourth Quarter								
Net Income	0.74	0.21	0.79	0.32	0.22	-0.10	0.37	2.56
Net Operating Cash Flow	1.46	0.84	1.20	0.45	0.33	0.85	2.67	7.80
Net Interest Income	3.77	2.66	2.86	1.11	1.37	2.01	4.80	18.59
Noninterest Income	1.80	1.08	1.10	0.52	0.54	0.95	4.08	10.07
Noninterest Expense	4.23	2.87	2.52	1.08	1.47	2.14	6.09	20.40
Loan Loss Provision	1.27	0.80	0.52	0.16	0.24	0.99	2.54	6.52
Net Loan Loss	1.30	0.83	0.55	0.16	0.33	0.48	2.17	5.81
Performance Ratios (%)								
Year-To-Date								
Return on Equity	4.34	8.58	13.31	14.73	7.47	5.32	5.44	7.76
Return on Assets	0.26	0.58	0.94	1.01	0.48	0.37	0.29	0.49
Net Interest Income to Assets	3.47	3.88	3.80	3.67	3.55	4.45	3.26	3.62
Loss Provision to Assets	1.32	1.01	0.72	0.49	0.62	1.49	1.37	1.12
Noninterest Income to Assets	1.67	1.51	1.46	1.65	1.36	1.94	2.49	1.86
Noninterest Expense to Assets	3.82	3.79	3.33	3.50	3.73	4.34	4.03	3.83
Real Estate Loans to Loans	44.95	48.90	38.12	37.30	39.58	45.97	36.04	41.08
Noncurrent Loans to Loans	5.18	2.53	2.25	1.64	3.37	3.98	5.97	4.20
Noncurrent RE Loans to RE Loans	6.54	3.39	2.45	1.89	4.07	4.76	8.40	5.40
Loss Reserve to Loans	3.89	2.10	1.89	1.98	3.00	3.21	2.76	2.76
Loss Reserve to Noncurrent Loans	75.06	83.09	84.37	120.53	89.04	80.84	46.20	65.77
Net Loan Loss to Loans	2.04	1.43	0.95	0.84	1.55	1.27	2.29	1.71
Loss Provision to Net Loan Loss	107.81	112.59	121.45	104.32	80.90	168.21	86.57	103.26
Equity Capital to Assets	6.29	6.84	7.18	7.14	6.70	7.06	5.41	6.40
Primary Capital to Assets + Reserves	8.58	8.07	8.27	8.27	8.02	9.31	7.50	8.16

*Multinational category represents national banks affiliated with seven multinational bank holding companies.

Banking Research and Statistics

Aggregate Condition Data for National Banks by OCC District
 (Data through year-end 1991)

	Northeastern	Southeastern	Central	Midwestern	Southwestern	Western	Multinational*	Total
Assets	395 07	283 08	296 78	119 97	147 35	181 75	567 71	1 991 72
Less Liabilities	317 03	230 99	231 96	97 09	129 35	150 78	421 47	1 578 67
Total Assets	370 24	263 71	275 49	111 40	137 48	168 92	537 00	1 864 24
Less Liabilities	58 91	45 88	49 96	14 99	19 77	23 36	106 20	319 07
Total Securities	88 17	60 88	63 25	32 33	45 95	29 13	42 62	362 34
Total Liabilities	228 90	173 22	182 68	66 83	70 63	123 04	386 24	1 231 55
Real Estate Loans	102 90	84 71	69 64	24 93	27 95	56 57	139 21	505 91
Commercial & Industrial Loans	64 31	37 39	54 28	17 37	19 68	30 86	123 97	347 85
Loans to Individuals	41 98	36 13	40 99	13 77	13 53	24 63	64 26	235 29
Noncurrent Loans	11 85	4 37	4 10	1 10	2 38	4 89	23 07	51.77
Noncurrent Real Estate Loans	6 73	2 87	1 71	0 47	1 14	2 69	11 70	27 31
Other Real Estate Owned	4 39	2 32	1 25	0 47	1 81	1 30	6 41	17.96
Restructured Loans	0 75	0 24	0 32	0 15	0 43	0 09	3 42	5 41
Loan Loss Reserve	8 90	3 64	3 46	1 32	2 12	3 96	10 66	34.05
Equity Capital	24 83	19 37	21 30	8 56	9 87	12 82	30 71	127 47
Primary Capital	34 66	23 12	24 82	10.03	11.99	17.28	43 37	165 27
Balance Sheet Changes (\$Billions)								
Year-To-Date Gains (Losses)								
Assets	3 68	9.04	7 64	2.39	-1 80	1.44	-14 56	7.83
Loans	-19 83	-1 41	1 98	0.91	-4.79	-5.54	-23 18	-51.86
Real Estate Loans	3 88	2 66	5 83	1 94	-0.96	-1.25	-7.98	4.11
Loan Loss Reserve	-0 33	0 31	0 44	0 06	-0.24	1.19	-1.51	-0.07
Noncurrent Loans	-2 87	-0 01	0 16	-0 09	-0.38	1.78	1 41	0.01
Noncurrent Real Estate Loans	-2 13	0 01	0 26	0 04	-0.38	1.28	2 97	2.05
Other Real Estate Owned	0 58	0 78	0 35	0 11	-0.21	0.04	1 86	3.52
Restructured Loans	0 05	0 14	-0 01	0 02	-0.01	-0.10	0.54	0.63
Equity Capital	3 63	1 24	1 36	0 87	0.57	0 60	-0.72	7.56
Primary Capital	3.31	1 32	1 81	0 89	0.33	1.80	-2 27	7 19
Fourth Quarter Gains (Losses)								
Assets	12 96	4 60	3 79	2 54	-1.42	0.89	-13.94	0.22
Loans	-2 32	-2.79	0 20	0 41	1 17	-1.91	-2.39	-9.97
Real Estate Loans	4 48	-0.14	0 56	0 18	0 18	-0.74	-0.22	4.31
Loan Loss Reserve	0 48	-0 01	-0 01	0 00	-0.09	0.57	0.35	1.29
Noncurrent Loans	0 57	0 34	0 27	0 12	-0 08	0 12	-0.29	-1.54
Noncurrent Real Estate Loans	-0 26	-0 21	-0 08	-0 02	-0 11	0 23	-0 24	-0 70
Other Real Estate Owned	0 35	0 03	0 03	-0 01	0 15	-0 13	0 80	0 87
Restructured Loans	0 12	0 09	0 00	0 01	0 01	0 00	0 18	0 40
Equity Capital	1.47	-0 08	0 25	0 20	0 15	0 11	-0 21	1.90
Primary Capital	2 08	-0 15	0 24	0 20	0 06	0 68	0 14	3.25

*Multinational category represents national banks affiliated with seven multinational bank holding companies.

Banking Research and Statistics

Comptroller's Report of Operations — 1991

Comptroller

The Comptroller examines and supervises approximately 3,800 federally chartered national banks through a nationwide staff of bank examiners and other professional and support personnel. National banks account for over half of the assets of the commercial banking system. Additionally, the Comptroller supervises the federally licensed branches and agencies of foreign banks.

The Comptroller receives advice on policy issues from a policy group consisting of the Senior Deputy Comptroller for Bank Supervision Policy, the Senior Deputy Comptroller for Bank Supervision Operations, the Senior Deputy Comptroller for Legislative and Public Affairs, the Senior Deputy Comptroller for Corporate Policy and Economic Analysis, the Senior Deputy Comptroller for Administration, the Chief Counsel, and the Senior Advisor to the Comptroller.

The Comptroller's personal staff direct, coordinate, and manage the day-to-day operations of his office and advise him on policy formulation and management decisions. The staff also oversee projects of special interest to the Comptroller. The Executive Assistant acts on the Comptroller's behalf to carry out policies and directions and serves as liaison with staff of the Office of the Comptroller of the Currency (OCC) and other agencies.

Senior Deputy Comptroller for Bank Supervision Policy

The Senior Deputy Comptroller for Bank Supervision Policy formulates, implements, and monitors examination and compliance policies and procedures and conducts analyses of international banking issues. These responsibilities are conducted in the offices of the Chief National Bank Examiner, the Deputy Comptroller for Compliance Management, and the Deputy Comptroller for International Banking and Finance. The Senior Deputy Comptroller for Bank Supervision Policy also coordinates OCC participation in Federal Financial Institutions Examination Council (FFIEC) activities and its task forces, coordinates accounting and reporting issues, represents the OCC in its relationships with the international financial community, and assures that

compliance is an integral part of OCC's examination of national banks.

Senior Deputy Comptroller for Bank Supervision Operations

The Senior Deputy Comptroller for Bank Supervision Operations oversees the six district offices, the Multi-national Banking Department, and the Special Supervision Division. The senior deputy formulates and implements a broad range of policies relating to OCC's district offices and the multinational banking program. Specific responsibilities include directing programs for the examination and regulation of national banks to promote the continuing existence of a solvent and competitive national banking system. The Senior Deputy Comptroller for Bank Supervision Operations is also responsible for directing the examination, supervision, and analysis of multinational and regional banks including their international banking activities.

Senior Deputy Comptroller for Legislative and Public Affairs

The Senior Deputy Comptroller for Legislative and Public Affairs provides information to and works with others outside the OCC to further the agency's goals. The department is responsible for external relations with Congress, the news media, banks and banking organizations, bank customers, and nonbank financial industry and consumer groups. The Senior Deputy Comptroller for Legislative and Public Affairs supervises the Banking Relations, Communications, Customer and Industry Affairs, and Congressional Liaison divisions.

Senior Deputy Comptroller for Corporate Policy and Economic Analysis

The Senior Deputy Comptroller for Corporate Policy and Economic Analysis advises the Comptroller on policy matters, develops and implements programs related to corporate activities and strategic planning.

conducts economic research and financial analyses. The senior deputy comptroller is the primary decision maker responsible for national bank applications including charters, mergers, branches, and operating subsidiaries. The Deputy Comptroller for Bank Organization and Structure and the Deputy Comptroller for Economic and Policy Analysis are supervised by the Senior Deputy Comptroller for Corporate Policy and Economic Analysis.

Chief Counsel

The Chief Counsel advises the Comptroller on legal matters arising from the administration of laws, rulings, and regulations governing national banks. The Chief Counsel directs the legal functions in and for the OCC. These duties involve writing and interpreting legislation; responding to requests for interpretations of statutes, regulations, and rulings; defending the Comptroller's actions challenged in administrative and judicial proceedings; supporting the bank supervisory efforts of the office, and representing the OCC in all legal matters. Those responsibilities are carried out through the Enforcement and Compliance, Legal Advisory Ser-

vices, Litigation, Securities and Corporate Practices, and Legislative and Regulatory Analysis divisions, and an organization of counsels in OCC's six districts.

Senior Deputy Comptroller for Administration

The Senior Deputy Comptroller for Administration is responsible for the efficient and effective administrative functioning of the OCC. Through the Deputy Comptroller for Resource Management, the senior deputy supervises the Human Resources, Training and Performance Development, Administrative Services, and Equal Employment Programs divisions. Through the Deputy Comptroller for Systems and Financial Management, the senior deputy supervises the Applications Development, Systems Support, Supervisory Research, Information Resources Management, Financial Management, and Financial Review and Systems Management divisions. The Management Improvement and Quality Improvement divisions are supervised directly by the senior deputy. District administrative functions are provided with staff assistance and guidance by Washington office units.

Bank Supervision Policy

Chief National Bank Examiner

The Chief National Bank Examiner's office (CNBE) is the primary vehicle for OCC's examination and supervision policies. It initiates policy changes related to emerging issues affecting bank examinations and chairs the Supervision Policy Committee, the forum through which these policies are developed. During 1991, the office was restructured into four groups: traditional activities, capital markets, supervisory information, and the chief accountant's office:

- The traditional activities group provides field examiner support and policy direction on a wide range of banking activities such as lending, the allowance for loan and lease losses, real estate appraisals, capital adequacy, bank-owned insurance, and management practices.
- The capital markets group provides policy direction on issues such as asset securitization, mortgage-backed securities, mortgage

banking, intangibles, interest rate risk, recourse, risk-based capital, and interest rate contracts.

- The supervisory information group develops and administers OCC's mainframe computer supervisory information systems. It also coordinates interagency activities involving the processing of quarterly bank and bank holding company financial information, and provides advice about interpreting bank supervision data.
- The chief accountant's office coordinates accounting and reporting issues; interprets regulatory accounting and generally accepted accounting principles related to bank examinations; identifies emerging accounting issues; and develops new accounting principles. The group also administers the financial information requirements of the Securities Exchange Act of 1934 applicable to national banks under 12 CFR 11 and 16 including registration state-

ments, offering circulars, and merger proxy statements.

The CNBE also manages the peer review program, initiated by the OCC in 1991. The program annually reviews a sample of banks supervised by each of OCC's six districts to assure that national bank examinations and supervision are conducted according to uniform OCC policies and procedures.

The CNBE also administers the Uniform Commission Examination, an examination for OCC examiners seeking certification as National Bank Examiners. The examination assesses the candidate's knowledge of banking laws, regulations, bank operations, asset evaluation, and financial analysis, as well as the employee's management and communication skills.

The CNBE has also developed training programs that provide advanced training for identified experts in a particular field such as capital markets and bank information. In 1991, CNBE staff also served as instructors for internal training seminars, hosted an accounting workshop, and developed the technical content of selected courses. CNBE staff also act as instructors for FFIEC courses. CNBE also coordinates OCC participation in other FFIEC activities and task forces and briefs the Comptroller and senior management on these issues. Finally, CNBE provides support for issues related to the Senior Deputy Comptroller for Bank Supervision Policy's participation as a member of the FFIEC Task Force on Supervision.

The CNBE updates the *Comptroller's Handbook for National Bank Examiners*, OCC supervision policy issuances, and the *Bank Accounting Advisory Series*, which presents staff views on accounting topics such as business combinations and related party transactions. For computer-generated information, the CNBE, in cooperation with OCC data users, seeks to assure that the call report collects the information needed to supervise national banks. The office also represents the OCC on the FFIEC EDP Examination Subcommittee, and assures information systems training for examiners. Finally, the CNBE represents the OCC in the Multi-District Data Processing Servicers (MDPS) project.

In 1991, the CNBE assisted other financial and accounting entities such as the American Bankers Association and the American Institute of Certified Public Accountants. It provided speakers and participants on panels at banking and accounting conferences. The chief accountant's staff also participated in certain Financial Accounting Standards Board task forces such as the task force on financial instruments.

Some issues the CNBE continues to work on include the allowance for loan and lease losses, purchased mortgage servicing rights, risk-based capital, interest rate risk, hedge accounting, interest rate swaps, market value accounting, in-substance foreclosures, and communications lending. The CNBE staff are also working on regulations implementing the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

Compliance Management

The Compliance Management Department is responsible for assuring that the banking services provided by national banks are consistent with legal standards of fairness and corporate citizenship. The department encourages national banks to establish effective compliance management systems, emphasizing that it is bank management's responsibility to ensure that those systems are working.

Compliance is an integral part of OCC's supervision of national banks. Compliance Management oversees the following areas: fiduciary activities; bank government and municipal securities dealers; Community Reinvestment Act (CRA) performance; and bank compliance with consumer protection, fair lending, and money laundering laws under the Bank Secrecy Act (BSA). OCC's fair lending specialist also operates out of the Compliance Management Department.

The department chairs the FFIEC's Consumer Compliance Task Force and its CRA and Home Mortgage Disclosure Act (HMDA) subcommittees. These interagency task forces are designed to assure the uniform implementation of financial institution compliance with consumer laws.

In 1991, the department used for the first time its HMDA computer system and microcomputer program, developed to facilitate processing of national bank reports on mortgage applications and loans. Department staff handled 1.4 million loan application reports filed by national banks and their mortgage lending subsidiaries. Staff also worked with the FFIEC to process the HMDA submissions and to generate the individual institution's disclosure statements. These disclosure statements, as well as aggregation tables for each Metropolitan Statistical Area, were made available to the public in 1991.

In other compliance issues in 1991, the OCC conducted CRA Performance Evaluations of 789 national banks. The ratings were as follows: 80 national banks received an "outstanding" evaluation, 606 a "satisfactory," 97 institutions received a "needs to improve," rating and 6 were in "substantial noncompliance" with CRA

So that the public will have a better understanding of CRA Performance Evaluations the department worked with the FFIEC in 1991 to develop a *CRA Pamphlet* explaining the 4-tier rating system implemented as a result of Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) amendments to CRA. All national banks received this pamphlet for their use and to inform their customers of the new system. Compliance management also worked through the FFIEC to prepare a pamphlet on unintentional forms of mortgage lending discrimination as well as an update of the *Citizens Guide to CRA*. These booklets will be distributed to all national banks.

Compliance Management worked on interagency policy statements adopted in 1991 on the Fair Credit Reporting Act (FCRA) and on the analysis of geographic distribution of lending activities under the CRA. The FCRA statement provides guidance on instances in which institutions may withdraw an offer of credit. The CRA policy statement gives the agencies' view that institutions need to analyze the geographic distribution of their lending patterns as part of their CRA planning process.

In 1991 the department also completed work with the FFIEC on a Memorandum of Understanding (MOU) with the Department of Housing and Urban Development (HUD). Under the MOU, the FFIEC and HUD pledged to share information about fair housing complaints and to cooperate in future fair housing investigations.

The department sponsored two OCC Advanced Consumer Compliance Seminars for 74 national bank examiners, paralegals, and consumer complaint specialists. Publicly elected officials, community group leaders, and representatives from other government agencies, as well as departmental staff, spoke on consumer compliance and community reinvestment topics. Senate and House Banking Committee staff also briefed participants about consumer and fair lending legislative initiatives.

Compliance Management also issued over 30 bulletins, circulars, and advisories dealing with such topics as "Fair Credit Reporting Act (FCRA) - Policy Statement," "Soldiers and Sailors Civil Relief Act of 1940," "Flood Disaster Protection Act - Mortgage Protection Program," and "Time Deposit Open Accounts by Trust Departments." The department also developed examination procedures or revisions to the Real Estate Settlement Procedures Act and HMDA.

The department's fiduciary activities included implementation of new examination procedures known as the Risk Management approach. The procedures incorporate a bank's management of risk exposures in its

fiduciary operations. The department also issued guidance about trust issues such as the collateralization of trust funds and the use of mutual fund products and services; charging a collective investment fund for cost of investment research; the establishment of special common trust funds; financial statements of collective investment funds; and the investment of fiduciary assets in bank-advised mutual funds.

Compliance Management's securities compliance staff oversee bank dealer department activities in municipal and U.S. government securities to assure dealer compliance with securities regulations and the department's supervision. In 1991, the staff advised the OCC's Law Department on potential disciplinary actions and responded to congressional requests on securities matters. The staff also conducted bank dealer and investment securities classes for OCC personnel.

International Banking and Finance

The International Banking and Finance Department (IB&F) provides policy advice on international banking issues, collects global financial information, and performs technical analysis of international banking developments. IB&F also evaluates cross-border lending risk and maintains relationships for the OCC with the international financial community. IB&F also evaluates foreign banking activity in the United States and oversees the Federal branches and agencies of foreign banks operating in the U.S.

IB&F represents the OCC on interagency projects affecting international bank supervisory policy and regulation. In 1991, these activities included participation in:

- The development of the international aspects of the administration's banking reform legislative proposals;
- The General Agreement on Tariff and Trade (GATT) Uruguay Round financial services negotiations and the proposed North American Free Trade Agreement (NAFTA) financial services negotiations;
- The formulation of financial and banking policy for Eastern Europe; and,
- The development of banking initiatives relating to the economic integration of Europe in 1992, offshore money laundering, and trade finance policies.

IB&F also provides policy research on issues in international banking supervision. It prepares studies,

reports, analyses, and policy proposals on international financial market and regulatory issues and provides support to OCC examiners and other staff engaged in international bank examinations. Working with other OCC units, IB&F furnishes analytical support and internal coordination for international bank regulatory harmonization activities, especially OCC's participation in the Basle Committee on Banking Supervision.

IB&F works closely with OCC's Corporate Policy and Economic Analysis Department, Multinational Banking Department, Law Department, and the CNBE to develop international banking policies. In 1991, IB&F worked on projects such as information sharing among international bank supervisors, debt/equity exchanges, reserves against lesser developed country (LDC) debt, and debt restructurings.

In the area of global financial information, IB&F reviews the international activities of national banks as a group, and analyzes the global banking and financial environment in which they operate.

It conducts research and develops information on banking, financial, and supervisory systems in the major countries of the world as well as on selected foreign bank activity. Information on major geographic sectors is maintained in a database readily accessible to all OCC managers and national bank examiners.

In 1991, IB&F also began monitoring the activities of foreign banks in the United States. It assumed responsibility for OCC's Federal Branch Program, a program

for licensing and supervising the federal branches and agencies of foreign banks in the U.S. operating under the International Banking Act of 1978

IB&F also evaluates risk in international lending. IB&F is involved in the classification of transfer risk associated with exposures to countries experiencing difficulty servicing their external debt, primarily through its representation on the Interagency Country Exposure Review Committee (ICERC), which meets three times each year to evaluate transfer risk exposure. Through IB&F, the OCC holds the position of permanent ICERC secretariat and rotates as chairman of ICERC every third year. ICERC establishes credit categorizations and, when necessary, mandates reserve levels for exposures to approximately 80 developed, developing, and newly industrialized countries. Its credit determinations are communicated to all U.S. banks engaged in cross-border lending activity.

IB&F staff members meet frequently with foreign supervisory authorities, international bankers, representatives of the Treasury Department, other U.S. financial agencies, international financial institutions (IFIs), and other financial organizations and industry trade groups. IB&F coordinates requests to the OCC for information or technical assistance, in particular from foreign supervisory organizations. IB&F also helps prepare congressional testimony on international issues, furnishes staff for domestic and foreign seminars and conferences, participates in overseas missions with IFIs, and assists in OCC overseas examinations of national banks.

Bank Supervision Operations

Multinational Banking

The Multinational Banking Department, established in 1979, is responsible for the direct supervision of all national banks owned directly by the following companies: BankAmerica Corporation, Bank of Boston Corporation, Chase Manhattan Corporation, Citicorp, First Chicago Corporation, NationsBank Corporation, Security Pacific Corporation, and Wells Fargo Corporation. The department is also responsible for international examining activities and nondelegated regional bank companies with national bank subsidiaries.

Ongoing supervisory activities include examining multinational banks's global operations, meeting with industry executives, and monitoring capital levels and other examination mandates. As of September 30, 1991, the national bank subsidiaries of the eight multinational institutions held assets of \$626 billion, repre-

senting 34 percent of the entire national banking system. The importance of the multinational institutions, aside from size, is reflected in their worldwide operations, key role in the domestic economy, and leadership in the evolving global financial services marketplace.

The Multinational Banking Department evaluates the condition and performance of the multinational institutions, formulating and implementing examination strategies, and making decisions and recommendations on corporate and licensing applications. It consists of both Washington staff and a group of field examiners based in Boston, Charlotte, Chicago, Dallas, Los Angeles, New York, San Francisco, and London

The department also supervises severely troubled regional bank companies. Additional functions include administering the Shared National Credits program, supporting the regional bank programs in OCC's dis-

administering OCC's international examination efforts. The department works closely with the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board to coordinate major interagency examination efforts.

Multinational Banking Department's examination philosophy is ongoing and anticipatory. Its field examiners are permanently stationed in each multinational lead bank to facilitate communication and information exchange, thus enhancing the department's ability to promptly identify and respond to emerging issues and risks. Washington-based examiners maintain continuous dialogue with the field examiners to ensure the examinations are proceeding as planned and to keep OCC management informed of significant events affecting the assigned institutions.

Examination strategies are developed annually for each of the multinational companies and revised when necessary. In developing strategies, emphasis is placed on evaluating the level of risk in a specific institution and devising a plan to monitor those risks. These strategies are ongoing and relate closely to macroeconomic factors and marketplace developments. Examination strategies have been enhanced by improved automated systems, communications, and increased contacts with market participants and analysts. Resident examiners update the OCC's Supervisory Monitoring System (SMS) quarterly on the condition of the lead bank.

In 1991, The Multinational Banking Department's Resident Examiner Program included a series of examinations of specific areas of identified or perceived risks affecting individual multinational companies or the multinational banking system as a whole. For example, examination efforts were directed toward asset quality and the adequacy of the allowance for loan and lease losses; highly leveraged transactions; interest rate risk; real estate lending; funding and liquidity; capital markets, trading, foreign exchange, and treasury activities; business expansion plans, both product and geographic; financial analysis; and control functions such as audit loan review and management information systems. Comprehensive compliance examinations, including trust and securities activities, are also conducted in each multinational company utilizing OCC's Compliance Program Examination Procedures.

The Multinational Banking Department also decides or recommends action on all corporate applications filed by the banks under its supervision. For example, the department reviewed noteworthy domestic corporate applications involving new powers for operating sub-

sidiaries and provided comments to the Federal Reserve Board on holding company acquisitions that include national bank subsidiaries. In 1991 it reviewed two major holding company merger applications, the NCNB and C&S/Sovran transaction and the Bank of America/Security Pacific application.

Special Supervision

The Special Supervision Division supervises the most critical national banks, monitors failing banks, and coordinates bank closings. The division also helps determine policy relating to the examination and enforcement of problem banks. In 1991, for example, the division played a key role implementing and exercising the OCC's conservatorship authority. Special supervision also initiated and developed videotapes relating to complex issues such as insider lending; FIRREA; risk-based capital; and real estate. These videotapes are maintained in district and field offices for the benefit of examiners, bankers, and bank directors.

The division also provides advice on problem bank issues to district offices and other OCC units and researches and develops examination strategies to enhance OCC's relationship with problem banks. The division strives to deal with each bank individually, employing enforcement and administrative tools best suited to that bank's needs.

Special Supervision is the focal point for managing most critical bank situations in which the potential for failure is high. The division takes an anticipatory approach to resolving critical bank situations and staff work closely with other bank regulatory agencies. The division organized the closing of 40 of the 44 national banks that failed in 1991. All but one of these closings involved a purchase and assumption of liabilities or a transfer of insured deposits to other institutions. Another example of the division's anticipatory approach is its "assisting troubled banks" (ATB) program to help undercapitalized national banks locate outside sources of capital before they become insolvent.

In 1991, Special Supervision continued to monitor banks in conservatorship; recommended certain modifications in conservatorship plans, goals and objectives; and recommended terminating the conservatorship when appropriate. The OCC placed three banks into conservatorship in 1990 in order to conserve the banks' assets for the benefit of its depositors. In 1991, two of these were terminated, one by failure and the other through a successful purchase and assumption agreement. In both cases, a cost savings to the FDIC fund was achieved.

Legislative and Public Affairs

Banking Relations

The Banking Relations Division acts as liaison with bankers, state bankers associations, banking trade groups, and state bank supervisors.

The division provides advice to the Comptroller and senior policy makers and is responsible for identifying proposed regulatory and industry actions that relate to OCC activities. The division formulates specific approaches for ensuring that OCC's position is presented and that information is disseminated.

The division recommends new policies, concepts, and procedures to guide OCC in its relationship with the banking industry. It prepares and directs the preparation of briefing materials for use in meetings with OCC officials and banking industry groups. It also assists with preparation of testimony or presentations for the Comptroller and senior officials.

The division maintains state-by-state, in-depth analyses of banking legislation and major issues including existing, proposed, and potential legislation.

Communications

The Communications Department provides information and publications services. Public information services include issuing press releases, responding to press inquiries, answering general inquiries about the agency's mission, and handling requests filed under the Freedom of Information and Privacy acts. Its publication services include producing ongoing OCC publications such as the *Quarterly Journal*, the *Comptroller's Manual for National Banks*, and the *Comptroller's Manual for Corporate Activities* and editing and disseminating OCC policy issuances such as advisory letters and banking bulletins. In 1991 the department also assumed responsibility for OCC's graphics services and printing activities.

The Deputy Comptroller of Communications, as liaison between the Comptroller and the press, organizes press briefings, responds to requests from the press for interviews with the Comptroller and senior management, and provides explanations of OCC initiatives and proposals. The department serves as the main point of contact for outsiders, other than banks, and projects the OCC's mission and activities to the public, particularly the news media. The department takes calls from the news media throughout the day and usually provides a response the same day to meet daily press

deadlines. Other public information activities performed by the department include preparing news releases on significant OCC actions, disseminating testimony presented before Congress by the Comptroller and OCC staff, and preparing speeches given by the Comptroller before various public forums.

The department's publications staff provide editorial and writing assistance to the OCC and interagency groups. The staff work with OCC divisions and external printers to publish official OCC publications. In 1991 the department published *The Comptroller's Manual for National Banks* and the *Comptroller's Handbook for Compliance*. The 1991 version of the *Manual* incorporates FIRREA and sections affected by the Crime Control Act of 1990; the *Handbook for Compliance* includes changes in uniform FFIEC procedures. Staff also produce internal publications such as *Supervisions*, a monthly employee newsletter, and distribute OCC issuances and other policy papers to national bank examiners and national banks.

Under the authority delegated by the Comptroller, the department is responsible for making initial determinations on requests for records of the OCC under the Freedom of Information Act and the Privacy Act of 1974. In 1991, the department processed 2,902 requests. These requests are made for any and all documents in the OCC's files; response is required within 10 business days.

Customer and Industry Affairs

The Customer and Industry Affairs Division (C&IA) continued to improve lines of communication and dialogue between the OCC and community, consumer, housing, small business, insurance, and real estate groups throughout 1991. The division maintained regular contact with 18 bank customer groups representing consumer, community, small business, and housing interests. The Director and Associate Director for Bank Customer Development were speakers at six bank customer group meetings during the year, giving the OCC an opportunity to provide information on its regulatory initiatives and to respond to issues of interest to the members of these organizations.

C&IA provided national banks and other interested parties information on issues of importance to bank customer groups. During 1991, it produced *Leveraging Bank Resources for Low- and Moderate-Income Housing*, which summarized a conference in which the OCC discussed regulatory issues affecting how national banks participate with secondary mortgage market

agencies and other agencies to leverage financial assistance for low- and moderate-income housing. The publication was provided to over 4,000 national banks, national and state bank associations, over 50 national bank customer groups, key congressional committees, and other financial regulatory agencies.

C&IA also participated in the Securities and Exchange Commission's (SEC) 1991 Government-Business Forum on Small Business Capital Formation. The division's director served on the executive committee and division staff participated in the forum. The SEC is currently drafting a series of recommendations arising from the hearings for congressional consideration.

In 1991, the division enhanced the OCC's Community Development Corporation and Investment (CDC&I) program. C&IA distributed a CDC&I information package to 348 bankers and community leaders and also provided technical assistance to over 100 national banks planning to make investments in community development corporations (CDCs) or community development projects (CD projects). The division approved 82 new CDCs, CD projects and investments in previously approved entities involving 116 national banks (some national banks made investments in more than one project). C&IA approved these projects in order to support small business development and to supply the means to provide capital for low- and moderate-income housing. These banks' initial investments exceeded \$57 million.

The division also developed a videotape on national bank CDCs and CD projects to educate the industry about the unique flexibility of the OCC's CDC&I program for national bank investments in small business development and low- and moderate-income housing projects. The videotape will be distributed to the industry and OCC field offices in 1992. C&IA also issued a supplement to its CDC&I directory of national bank programs.

In other activities relating to the CDC&I program, the division director and associate director for the CDC&I program participated in twelve conferences in which

they provided information on OCC's program to banking and community development audiences. The division also held a meeting with bank CDC executives to share program information and to discuss new initiatives in housing and community development. Working with the OCC's Chief National Bank Examiner and Compliance Management departments, C&IA also issued guidance to the industry and OCC examiners on how to evaluate CDC investments.

The division continued to provide staff support to the Comptroller in his capacity as vice chairman and a member of the board of directors of the Neighborhood Reinvestment Corporation (NRC). It also continued as the agency's liaison for the Department of Treasury Consumer Affairs Council and as OCC's representative to SEC's Executive Committee on Small Business Capital Formation.

Congressional Liaison

The Congressional Liaison Division is responsible for the OCC's relations with members of Congress, congressional committees, subcommittees, and staff.

The division provides analysis and advice to the Comptroller and senior OCC policy makers on congressional activities which affect or could affect the OCC, the national banking system, or the financial services marketplace. It also offers guidance on potential congressional reaction to OCC actions.

As part of its responsibilities, the division maintains regular contact with congressional members, committees, subcommittees, and staff to further communication and to ensure OCC's interests are represented.

The division is the focal point of congressional inquiries, including requests for testimony, staff studies, or other support. It assists in the preparation of testimony, comments, briefings, and staff studies relating to congressional actions, as well as responses to constituent inquiries. Finally, the division provides other necessary liaison and information services relating to congressional and legislative matters.

Corporate Policy and Economic Analysis

Bank Organization and Structure

Bank Organization and Structure establishes policies affecting corporate activities of national banks. It reviews individual and national bank applications to

engage in banking activities requiring OCC headquarters approval, monitors the status of these applications, and strives to enhance the quality control and information systems that support decentralized licensing operations.

In 1991, the total number of corporate applications declined, with total receipts 18 percent less than in 1990. Receipts declined for every type of application. As in 1990, the number of national bank applications involving brick and mortar branches decreased (29 percent), as well as Change in Bank Control Act (CBCA) notices (41 percent). New bank charter applications declined by 49 percent. Applications for conversion of thrift institutions and state banks to national banks declined 47 percent, the third annual decline in a row.

Of the new bank charter applications the OCC received, 17 were for full service national banks. Eight of these applications were from independent groups, and 9 were sponsored by holding companies. The remaining applications involved requests to establish trust companies, credit card banks, or other limited purpose charters. Of the 38 charter applications acted on in 1991, the OCC approved 27 and denied 11. It also denied one credit card bank application.

The pace of merger and corporate reorganization filings also slowed from 1990. Applications filed by national banks for mergers with and acquisitions of unaffiliated banks and thrifts (71 open and 161 closed bank and thrift acquisitions) declined 30 percent from 1990.

In 1991, OCC's district offices, under delegated authority, decided approximately 94 percent of all applications. Consistent with previous years, the districts approved most of these applications (98 percent).

The following table summarizes the types of corporate applications filed with the OCC and their disposition.

OCC Corporate Applications, 1991

Application Type	Received		Districts		Washington		Total Decisions
	1990	1991	Approved	Denied	Approved	Denied	
Branches	752	531	625	5	13	4	647
Change in Control	34	20	5	0	1	6	12
CBCTs	1,420	1,385	1,491	11	5	0	1,507
Capital	376	333	261	4	16	2	283
Charters	55	28	18	0	9	11	38
Conversions	32	17	15	0	24	2	41
Corporate Reorgs	202	195	186	1	26	1	214
Federal Branches	7	1	1	0	2	2	5
Fiduciary Powers	21	20	21	0	1	1	23
Mergers	334	234	201	3	28	0	232
Operating Subs./BSC	224	184	144	0	27	5	176
Relocations	254	240	235	2	10	1	248
Stock Appraisals	5	4	0	0	3	0	3
Total	3,716	3,192	3,203	26	165	35	3,429

Note. The table does not include over 1,000 applications filed with other agencies but reviewed and commented on by the OCC, as required by the Bank Merger and Bank Holding Company acts and in accordance with interagency procedures for administering the CBCA.

Licensing Policy and Systems

The Licensing Policy and Systems Division develops policies for the corporate activities operations of the OCC. The division coordinates the OCC's licensing quality control program and oversees the Licensing Information System (LIS), a computerized system for monitoring corporate operations.

The division strives to reduce paperwork and regulatory burdens on applicants, and to improve the OCC's corporate operations. In 1991, division accomplishments included:

- Revising the *Comptroller's Manual for Corporate Activities*. A new three volume set incorporated changes prompted by new laws and regulations. The volumes also included improvements suggested by OCC staff and applicants;
- Simplifying the documentation requirements for interim bank mergers and national banks leaving the national banking system;
- Developing new or amended policies such as procedures for thrift to national bank conversion applications; guidelines for Hart-Scott-Rodino Act requirements for CBCA filings; guidance that 12 U.S.C. 371c does not apply to purchase and assumption transactions; advice on standard conditions applicable to mobile branch decisions; and streamlined procedures to respond to requests for competitive factor reports under the Bank Merger Act;
- Developing expertise in thrift conversion and merger activity involving national banks, including assistance to the Resolution Trust Corporation's (RTC) insolvent savings and loan association activities; and,
- Delegating authority to the OCC's six districts to enhance the processing of corporate filings.

In 1991 the division monitored corporate activity operations through LIS and a quality control program. Division staff used data on LIS to produce the OCC's "Weekly Bulletin," a compilation of corporate applications involving national banks, as well as summary tables for the *Quarterly Journal* and other statistical summaries of the OCC's corporate activities operations. Under the quality control program, district offices and the Multinational Department in Washington reviewed corporate activities operations.

Corporate Activity

The Corporate Activity Division coordinates all corporate applications processed in OCC's districts and headquarters. The applications are processed according to 12 CFR 5, the *Comptroller's Manual for National Banks* and the *Comptroller's Manual for Corporate Activities*. These applications involve new bank charters, consolidations and mergers where the resulting bank is a national bank, corporate reorganizations, conversions of state banks to national charters, operating subsidiaries, branches, customer-bank communication terminals (CBCTs), head office and branch relocations, capital changes, and federal branches and agencies of foreign banks.

The division also provides recommendations to the OCC's senior management about disposition of applications not delegated to the district offices. It evaluates and processes notices of change in controlling ownership of national banks and requests for exceptions filed under the Depository Institutions Management Interlocks Act. Upon request from shareholders dissenting to a merger, consolidation, or conversion involving national banks, the division also conducts appraisals of bank stocks.

The Corporate Activity Division regularly contributes summaries of selected corporate decisions to the *Quarterly Journal*. In 1991, the following corporate decisions were of particular importance because they were precedent setting or otherwise represented issues of importance:

- The OCC denied a request from a foreign bank to establish a federal branch in New York City. After reviewing the bank's operating plan, the OCC concluded the amount of capitalization and management's international experience were inadequate for the competitive New York market. Thus, the OCC found that the foreign bank failed to prove the branch had reasonable prospects for success.
- The OCC approved a new bank charter for Founders National Bank to be located in Los Angeles, California. The bank then acquired the failed Founders Savings & Loan Association, a minority-owned thrift. The transaction was part of a RTC program giving preference in bidding for failed savings and loan associations previously owned by minority groups to other minority groups. This transaction was the first minority thrift resolution proposal involving a national bank.
- The OCC approved a CBCT branch application for First City Texas-Austin, N.A., Austin, Texas, despite the bank's CRA rating of "needs to improve." The OCC approved the application because the applicants proposed to locate the CBCT in a low- to moderate-income community in Austin that had no banking facility. Additionally, the OCC received many public comments supporting the application.
- The OCC disapproved an application to convert a savings bank to a national bank. The condition of the thrift was unsatisfactory, as determined by OCC, FDIC, and Office of Thrift Supervision (OTS) examinations. Weaknesses in capital, asset quality, management, and compliance with CRA were so widespread that conditional approval was unwarranted.
- The OCC granted conditional approvals to Capital City First National Bank, Tallahassee, Florida, and AmSouth Bank, N.A., Birmingham, Alabama, to establish mobile CBCT branches. Both approvals were the first for the respective states.
- The OCC also approved applications submitted by First National Bank of Amarillo, Amarillo, Texas, and Button Gwinnett National Bank, Snellville, Georgia, to operate mobile branches. These approvals also represented first-time approvals for the respective states.
- The OCC denied a limited federal branch application, filed by a foreign bank, because of the unsatisfactory operations of the bank's existing state-chartered agencies.
- The OCC denied an operating subsidiary proposal from a liquidating bank. The bank proposed to participate as a general partner in development of raw land into residential lots. Although the bank argued that the proposal was necessary to protect its investment, the OCC found that the projected total costs of development were one and one-half times the current value of the land. Instead of a "protective investment" transaction, the proposal really constituted real estate development, an activity not permitted for national banks.
- The OCC gave approval to Citibank (Florida), N.A., Dania, Florida, to acquire an operating subsidiary to underwrite title insurance for loans originated by the bank. This application

marked the first instance in which the OCC approved this activity for an operating subsidiary.

- The OCC approved an application for an operating subsidiary of NCNB National Bank of North Carolina, Charlotte, North Carolina. The subsidiary will engage in the brokerage of platinum coins and bullion. While the OCC previously had permitted national banks to buy and sell gold, silver, and platinum coins, as well as gold and silver bullion, it had not permitted national banks to buy and sell platinum in bullion form. The OCC concluded that trading in platinum bullion could be viewed as functionally equivalent to trading in platinum coins, since both forms of platinum trade are based on the value of the underlying metal. The OCC found the activity incidental to the bank's express power to trade in coins.
- The OCC approved the establishment of a Competitive Equality Banking Act of 1987 (CEBA) credit card bank to become an operating subsidiary of Sovran Bank, N.A., Richmond, Virginia. This was the first credit card bank chartered as a subsidiary of a national bank.
- The OCC granted conditional approval to charter Tunica National Bank, Marksville, Louisiana. The bank will be located on an Indian reservation. Although certain local bankers objected to the proposal, the OCC found the bank had reasonable prospects for success and adequate community support.
- The OCC approved an application by Bank of America, National Trust and Savings Association, San Francisco, California, to expand the activities of its leasing subsidiary to include performing personal property leasing activities for unrelated third party lessors. The OCC had not previously approved this activity. This application also marked the first time the OCC has approved an activity under the new lease financing rules found in 12 CFR 23.

Economic and Policy Analysis

The Economic and Policy Analysis (E&PA) Department is comprised of three divisions. It analyzes policy issues facing the OCC; monitors the financial health of the banking system to identify possible sources of systemic risk; and evaluates how changes in the structure of the banking industry and in the regulatory environment could affect OCC operations.

Economic and Regulatory Policy Analysis

The Economic and Regulatory Policy Analysis Division (ERPA) helps develop and implement OCC policy. It advises senior OCC officials about the regulation of financial institutions and the operation of the financial services industry. The division develops proposals to address policy issues facing the OCC, and comments on proposals offered by other OCC divisions, other agencies, Congress, and the public. ERPA also contributes analytical assistance and economic advice to other OCC divisions.

In 1991, ERPA worked on interpreting and implementing risk-based capital guidelines for national banks. Division staff also participated in ongoing OCC and interagency working groups dealing with such matters as recourse, intangibles, "bid-option" facilities, and interest rate risk.

During 1991, division staff also helped formulate the OCC's response to studies and legislative initiatives designed to reform the banking industry. The proposals included initiatives by the Department of the Treasury, the Government Accounting Office (GAO), and the Congress, and the issues included: open-bank assistance, new powers for banking companies, interstate banking, deposit insurance, Bank Insurance Fund (BIF) recapitalization, and restructuring the federal bank regulatory agencies.

ERPA staff also helped prepare the Comptroller and other senior OCC officials to testify before congressional committees. Staff drafted testimony and compiled briefing materials on issues such as: comprehensive banking reform, deposit insurance reform, the structure and regulation of the financial services industry, OCC merger policy, and OCC supervision strategies. After enactment of the Financial Deposit Insurance Corporation Improvements Act of 1991 (FDICIA), ERPA provided advice as to the actions the OCC will be required to take to implement the new law and how the OCC can best meet those requirements.

In providing economic and analytical assistance to other OCC divisions, ERPA supported OCC efforts in 1991 including identifying and measuring interest rate risk, and analyzing risks to banks posed by financial derivatives such as commodity swaps and mortgage-backed securities. ERPA also worked on OCC responses to GAO reports on topics such as the relaxation of restrictions on national bank activities, deposit insurance, and bank supervision.

Banking Research and Statistics

The Banking Research and Statistics Division (BR&S) reports on the condition of the banking system

analyzed trends affecting the condition of banks, and assessed the risks and returns of major banking activities.

The division produces annual reports on the condition of commercial banks that are provided to OCC offices, other agencies, congressional committees, and the general public. The 1991 report highlighted continuing weaknesses in bank income and profitability due in part to provisioning against loan losses, especially in banks in the OCC's Northeastern District.

The division also produces quarterly reports on the condition of national banks. The reports are issued as OCC press releases and published in the OCC's *Quarterly Journal*. In 1991, BR&S completed four reports covering the last quarter of 1990 through the third quarter of 1991. The reports document a gradual swing in weak quarterly earnings from a concentration in the Northeastern District early in the year to the Western District in the third quarter. Despite continuing weaknesses in earnings, however, national banks managed to build their capital stocks.

In its efforts to analyze trends affecting the condition and performance of banks, BR&S investigates special topics, such as real estate markets, that affect bank performance. BR&S also participates in interagency efforts to assure consistent supervisory treatment of real estate loans. In 1991 this interagency project culminated in the Interagency Policy Statement on the Review and Classification of Commercial Real Estate Loans.

In assessing systemic risks in 1991, BR&S maintained regular contact with the OCC's District Environmental Analysts and monitored consumer lending at national banks, the cable television industry, and bank dividend

polices. The division also examined bank failure data for the 1980s and reported on the differences in the failure rates of national and state-chartered banks.

Strategic Analysis

The Strategic Analysis Division analyzes the operational implications of major events and trends affecting the banking industry or the OCC, and coordinates the OCC's planning process.

During 1991, the division analyzed the operational implications of policy and legislative proposals on banking and regulatory reform, and recommended amendments to those proposals. After enactment of FDICIA, the division worked with other OCC units to review the legislation and design a tracking system to implement the new law.

The Strategic Analysis Division wrote planning assumptions and directions for OCC managers's use in developing annual plans and budgets for the upcoming year. The 1992 planning assumptions stressed the requirements of the Operating Plan, as well as the need to find ways to offset costs associated with increasing supervisory requirements. The division developed a statement of the OCC's long-term goals and strategies for the next three to five years, and the OCC's priority objectives and human resource needs for 1992.

During the year, the division responded to requests from Congress and the GAO regarding the OCC's supervisory activities and resources. It began updating OCC's analysis of structural changes in the banking industry, and contributed to an analysis of supervisory, computer, and quality improvement policies at the OCC.

Law Department

Litigation

The litigation division represents the OCC in court. During 1991 the courts handed down five significant judicial decisions involving the OCC.

The United States Supreme Court denied a petition for certiorari filed by the directors of a national bank seeking review of a decision by the United States Court of

Appeals for the Seventh Circuit which upheld OCC's assessment of civil money penalties pursuant to 12 U.S.C. 93b. *Manley Abercrombie, et al. v. Clarke*, 920 F2d 1351 (7th Cir. 1990), cert. denied, ___ U.S. ___ (1991). Because the violations on which the assessments were based had ended before the OCC issued the notices of assessment, the directors argued that the plain language of the statute permitted assessments only for violations that continued after issuance of the

notices of assessment. The Seventh Circuit rejected this argument, holding that penalties could be assessed under section 93b for past violations.

In another case, the United States District Court for the Southern District of New York decided in favor of the OCC in a challenge brought by title insurance trade associations. The litigation concerned the OCC's approval of a Chase Manhattan Bank, N.A. proposal to establish two operating subsidiaries to engage in the business of selling, as agent, title insurance for commercial and residential real estate. *American Land Title Ass'n v. Clarke*, ____ F. Supp. ____ (Opinion and order issued on August 7, 1991.) The court agreed with the OCC that the sale of title insurance is incidental to a national bank's express power to make real estate loans and so fits within the incidental powers clause of 12 U.S.C. 24 (Seventh). The court rejected the argument of the trade associations that 12 U.S.C. 92, authorizing national banks to engage in general insurance agency activities in towns with populations of less than 5,000, limits a national bank's authority to sell title insurance.

The U.S. District Court for the Southern District of Texas upheld the OCC's approval of the sale of hybrid annuity contracts by a subsidiary of a national bank on an agency basis. *The Variable Annuity Life Insurance Co. v. Robert L. Clarke, et al.*, (S.D. Texas November 22, 1991). The annuity contracts at issue contained a hybrid feature permitting the customer to select either a variable or a fixed rate option and to switch between them. The plaintiff insurance company argued unsuccessfully that the approval was in violation of 12 U.S.C. 24 (Seventh) and 92 in that it permitted banks to enter the insurance business. The court deferred to the Comptroller's determination that the annuities are primarily financial instruments and are thus within the power of national banks to broker financial investment instruments.

The U.S. District Court for the District of Massachusetts upheld the OCC's approval of the issuance of preferred stock based upon a majority vote of the bank's shareholders. *Barry Krock, et al. v. Ronald M. Ansin, et al.*, (D. Mass. June 12, 1991). The plaintiffs argued that the bank's articles of association required approval by two-thirds of the shareholders before preferred stock could be issued. The OCC filed an *amicus* brief supporting the defendant's argument that 12 U.S.C. 51a governs the issuance of preferred stock and that that section provides for approval by a simple majority of the shareholders. The court denied the plaintiff's request for a preliminary and permanent injunction to prohibit the issuance of the stock.

Finally, the U.S. District Court for the District of New Jersey upheld a national bank's argument that a showing of "reasonable cause to believe" is required before

the state can conduct an escheat law compliance examination. The national bank argument disputed a provision in the New Jersey Unclaimed Property Act which requires only reasonable timing and notice of state escheat examinations of national banks. *Midlantic National Bank v. Douglas C. Berman*, (D. N.J. September 24, 1991). While the OCC was preparing to file an *amicus* brief, the court issued summary judgment in favor of the bank.

Enforcement and Compliance

The Enforcement and Compliance Division (E&C), in conjunction with the districts, recommends administrative actions and presents and litigates these actions in administrative hearings on behalf of the OCC. The division also may help defend these actions if they are challenged in United States courts of appeal and district courts. The division also provides senior OCC officials with legal advice relating to enforcement and compliance issues.

During 1991, the OCC issued 189 commitment letters, 31 memoranda of understanding, 143 formal agreements, 83 cease and desist orders, 41 removals, and 144 civil money penalties. E&C handled nondelegated actions, while the OCC's districts handled delegated actions. In its administrative cases, the division held eight prehearing conferences and conducted two formal administrative hearings.

One notable hearing in 1991 involved notices of charges issued against the Lakeside National Bank of Lake Charles, Lake Charles, Louisiana. The notices alleged that the bank had engaged in violations of law and unsafe and unsound practices, including the execution of lucrative severance contracts with several of the bank's officers. The OCC believed this action warranted imposition of a cease and desist order, but the bank disagreed. The OCC received a favorable decision from the administrative law judge in the case and it is awaiting a final decision from the Comptroller.

A second hearing involved notices of charges issued against the Fifth Third Bank of Northwestern Ohio, N.A., Findlay, Ohio, and the Fifth Third Bank of Miami Valley, N.A., Piqua, Ohio. Here the OCC sought cease and desist orders against the banks requiring them to reimburse their customers, who had not received adequate disclosure of the interest rates for their loans, violating the Truth in Lending Act. The actions were settled after an administrative hearing was held.

In other activities in 1991, E&C attorneys worked closely with the Department of Justice (DOJ) Interagency Bank Fraud Working Group (BFWG), contributing significant resources to support its work. The BFWG has

provided the coordination and cooperation between the federal financial institutions regulatory agencies and the Department of Justice

In 1991, the division

- Participated in all regular BFWG meetings;
- Worked with the DOJ's Special Counsel to encourage prosecution of criminal referrals considered priorities by the OCC, communicating OCC efforts to obtain grand jury information, and providing OCC input to DOJ's quarterly report to Congress on white collar crime;
- Supported, on behalf of the OCC, the newly established FFIEC Testifying School;
- Provided ongoing support to the Federal Bureau of Investigation (FBI) and OCC's sister agencies for the joint FBI/Agency White Collar Crime School offered regionally approximately three times per year (OCC co-sponsored a session in Denver, Colorado, in November 1991);
- Provided white collar crime presentations to Secret Service personnel investigating bank fraud cases;
- Continued efforts (both on a case-by-case basis and on a broader policy basis) to deal with *Helper* (double jeopardy) related issues;
- Worked with OCC's sister agencies and the Financial Crime Enforcement Network (FinCEN) to revise the criminal referral form and develop an interagency database for criminal referrals and enforcement actions;
- Represented the OCC on FinCEN's Oversight Board;
- Developed legislative proposals to decriminalize non-preferential borrowing by examiners (revisions to 18 U.S.C. 212 and 213);
- Worked with the Chief National Bank Examiner's Office to establish a computer-based list of OCC examiners with an expertise in bank fraud;
- Coordinated civil money penalties subject to section 1951 of FIPPEA with DOJ's Civil Division; and
- Participated in the National Bank Fraud Working Group, established throughout the country

The division has also detailed an attorney to assist a United States Attorney's Office in a major bank fraud case resulting from a criminal referral made by the OCC. The case involves a related group of individuals who allegedly attempted to defraud a number of financial institutions through the presentation of millions of dollars of worthless negotiable instruments and worthless corporate debentures. The case involves more than 20 financial institutions, including national banks, state banks, savings and loan associations, mortgage companies, trust companies, and offshore banks.

In 1991, E&C also participated in an interagency task force responsible for developing uniform rules of practice and procedure for the federal financial institutions regulatory agencies. The division also played a key role in development of new OCC enforcement and civil money penalty assessment policies.

The offshore shell bank unit of the division worked throughout the year to, among other things, provide information and expert testimony to local, national, and international law enforcement authorities. The division also continued to alert the banking industry to fraudulent or questionable offshore shell bank practices.

Legislative and Regulatory Analysis

The Legislative and Regulatory Analysis Division (LRAD) has four basic functions:

- Provide legal advice to OCC officials on pending legislation that may affect the OCC or the national banking system;
- Act as counsel to the Comptroller in agency administrative enforcement proceedings;
- Administer OCC's ethics program; and,
- Analyze OCC regulations and policies for compliance with various legal requirements imposed by statutes and executive orders.

In 1991, the division provided advice on banking and deposit insurance reform bills. For example, it analyzed the Department of the Treasury study of the federal deposit insurance system, which later formed the basis for the administration's comprehensive banking reform bill. Congress's consideration of this and other banking proposals culminated in enactment of FDICIA. FDICIA includes provisions concerning deposit insurance reform, early intervention and other supervisory reforms, BIF recapitalization, foreign bank supervision, consumer protection, community reinvestment and other miscellaneous topics. In addition, Con-

gress passed the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 (RTCRRRA), which refinanced and revamped the RTC.

LRAD coordinated the analysis and review of all proposed banking legislation introduced in Congress during the session. As the legislation moved through Congress, LRAD updated information and analyzed legislative proposals for interested OCC management and staff. Additional LRAD legislative activities for 1991 included preparing briefing materials, participating in formulating OCC positions on pending legislation, responding to congressional inquiries, drafting OCC legislative initiatives for forwarding to the Department of the Treasury, and helping to prepare OCC testimony before Congress.

In its post-enactment review of FDICIA, LRAD prepared memoranda highlighting regulatory and administrative requirements imposed under the act on the OCC, and in conjunction with other Law Department divisions, helped prepare a summary and analysis of FDICIA.

As counsel to the Comptroller in administrative enforcement proceedings, LRAD attorneys advised the Comptroller and drafted decisions and orders. During 1991, staff attorneys worked on four final decisions on the merits in civil money penalty and cease and desist order cases. Four decisions were issued on requests for a private hearing. Four decisions were issued on motions to dismiss. Three decisions and orders were issued on miscellaneous subjects. The staff also completed work on an interagency project to adopt a final rule on the uniform rules of practice and procedure.

In 1991, the division prepared the semiannual agenda of regulatory actions and OCC regulatory objectives for the regulatory program of the United States government. It also assisted in the development of 16 *Federal Register* rules and notices. Among the most noteworthy were:

- A final rule on CRA disclosures (12 CFR 25);
- A final rule on lease financing transactions (12 CFR 7 and 23);
- A final rule on minimum security devices and procedures, reports of crime and suspected crimes, and Bank Secrecy Act Compliance (12 CFR 21);
- A final rule on national bank lending limits (12 CFR 32); and,
- A notice of proposed rulemaking on appraisals (12 CFR 34).

At the end of 1991, LRAD staff were developing approximately 22 rulemakings, including: a final rule to follow the proposed rule on appraisals, an advance notice of proposed rulemaking on conflict of interest in debt securities (12 CFR 9); and proposed rules on extensions of credit to insiders (12 CFR 31), insider transactions other than loans (12 CFR 31), and recourse arrangements (12 CFR 3). LRAD staff also began work relating to regulations implementing FDICIA.

LRAD carried out its responsibility for administering OCC's conflict of interest policies and the Treasury Department's standards of conduct. LRAD reviewed all "Confidential Statements of Employment and Financial Interests" filed by Washington personnel and senior district officials. During the year, the division monitored developments at the Office of Government Ethics (OGE), especially OGE's proposed uniform standards of conduct, and initiated a review of OCC's ethics program in anticipation of final regulations to be issued by OGE in 1992.

Securities and Corporate Practices

The Securities and Corporate Practices Division (S&CP) provides legal advice to the OCC and the public on federal securities and national banking laws, including the Glass-Steagall Act, on bank securities-related activities. It also provides legal advice on national banking laws affecting national banks' capital structure, corporate practices, collective investment activities, trust matters, and accounting issues.

S&CP administers and enforces the federal securities laws affecting national banks with publicly traded securities, including the Securities Exchange Act of 1934 (Exchange Act) and the OCC's securities offering disclosure rules, 12 CFR 11. The division also administers and enforces the OCC's Securities Exchange Act disclosure rules, 12 CFR 16, which apply to national banks making public and private offers and sales of their securities.

The division also administers the OCC's enforcement program relating to national bank violations of the federal securities laws applicable to bank municipal and government securities dealers, bank transfer agents, and other bank securities activities. The division also enforces and provides interpretive advice on the CBCA. Finally, the division acts as liaison with federal and state securities regulatory agencies, including the SEC.

In 1991, S&CP investigated and took enforcement actions against national banks and affiliated persons for violating federal securities and banking laws. For example, S&CP attorneys investigated 33 national bank government

securities brokers or dealers for violations of the recordkeeping provisions of 17 CFR 404, promulgated pursuant to section 15C of the Exchange Act, and 12 CFR 12.

In 1991, S&CP engaged in the following activities:

- an investigation of factual and legal issues governing potential enforcement actions against accountants as "institution-related" parties under the FIRREA;
- assessment of civil money penalties against a director and a former director of a bank for violations of the CBCA;
- assessment of civil money penalties against former officers of a national bank for violations of the Securities Act of 1933;
- removal of a former director of a national bank for violations of the Exchange Act;
- suspension for one year of a municipal securities representative from association with any municipal or government securities broker or dealer for violations of Municipal Securities Rulemaking Board rules and the antifraud provisions of the Exchange Act;
- assessment of a civil money penalty against a bank president for violations of OCC securities offering disclosure rules and federal banking law;
- letters of reprimand against bank directors for failure to comply with reporting requirements of the Exchange Act; and,
- work on revisions to the OCC securities enforcement policy.

In other projects, S&CP attorneys researched whether line-item disclosure of bank management fees in collective investment funds is dependent on the fiduciary requirement of local law. The division also advised national banks as to the percentage shareholder vote required to authorize and set the terms of preferred stock. S&CP also provided guidance to national banks as to when beneficiaries of voting trusts are considered principal shareholders for purposes of the Federal Reserve Board's Regulation O.

Division attorneys also provided advice and opinions on the securities-related activities of national banks under the Glass-Steagall Act and other laws and regulations, including whether a national bank may establish a common trust fund for investment of short-term funds by school district trusts. The division also re-

sponded to requests from state-chartered banks about the permissibility of collective investments pursuant to 12 CFR 9.18. Throughout 1991, S&CP advised the OCC, the Treasury Department, and staffs of the Senate and House Banking Committees about proposals to expand the securities activities of banking organizations.

In 1991, S&CP also considered corporate governance issues such as a retroactive ratification of a bank's sale of stock to a majority shareholder without complying with the preemptive rights of minority shareholders. Division attorneys also worked with the FDIC in its drafting of regulations on golden parachute and indemnification payments by insured depository institutions and their holding companies.

The division continued to review offering circulars, abbreviated information statements, notices of nonpublic offering, registration statements, annual and special meeting proxy materials, tender offer and beneficial ownership materials, periodic reports, and other reports required to be filed with the OCC under the Comptroller's securities disclosure rules and merger application procedures. The division required two banks to offer rights of rescission to investors because the banks' offering circulars were false and misleading. Additionally, the division provided information on the current system of securities disclosure and financial reporting for national banks to Congress.

The division also handled requests from the SEC for access to bank examination reports, workpapers, or interviews with OCC examiners concerning potential SEC enforcement actions against holding companies of national banks. The division also reviewed securities disclosure filings submitted to the SEC by bank holding companies with national bank subsidiaries. Division attorneys also identified potential securities law violations under the jurisdiction of the SEC, referred them to the SEC, and provided assistance in the SEC's subsequent investigations.

Legal Advisory Services

The Legal Advisory Services Division (LASD) provides legal advice and opinions to the examining, policy, and administrative divisions of the OCC, its district and field offices, national banks, attorneys, and the public. LASD is divided into three practice groups. Each group generally is responsible for all questions arising from specific districts and banks within those districts. For matters not arising from specific banks or OCC districts, the practice groups retain responsibility for specific subject areas.

During 1991, LASD devoted significant resources to the OCC's legislative activities. The division also provided

legal advice about OCC bank examination and compliance issues, corporate and licensing activities, OCC responsibilities for troubled and failing institutions, administrative functions, and public affairs activities. LASD also provided legal counsel on issues such as national bank products and services. The division helped draft several regulations and LASD attorneys participated in seminars or taught courses to industry trade groups.

The division completed the following projects in 1991:

Advisory Matters

- Legal review and comment on legislative proposals and drafting of proposed legislation.
- Legal assistance and support for conservatorships created at Southwest National Bank and New York Capital Bank, N.A.
- Legal assistance and support relating to problem bank resolutions.
- Legal advice regarding issues relating to the early resolution of problem banks.
- Technical assistance to the Treasury Department on financial services agreements to be included in the General Agreement on Tariffs and Trade and the North American Free Trade Agreement.
- Legal advice regarding the permissibility of a national bank establishing an operating subsidiary as a credit card bank chartered under CEBA.
- Legal advice on expanding a national bank's personal property leasing subsidiary's activities to include lease consulting services, finder services, and lease servicing to unrelated third party lessors including nonfinancial institutions.
- Legal advice on the ability of national banks to engage in asset management for the RTC, the FDIC, and other depository institutions.

- Legal opinions concerning national bank involvement in emergency thrift acquisitions.
- Review of national bank community development corporation proposals.
- Legal support involving implementation of the OCC's new compensation plan.
- Legal assistance on the relocation of the OCC's Washington headquarters.

Regulations

- Establishment of new 12 CFR 23 covering lease finance transactions by national banks.
- Amendment to 12 CFR 32 involving lending limit treatment of loan commitments.
- Amendment to 12 CFR 25 to incorporate a provision required by FIRREA involving public disclosure of written OCC evaluations of an institution's CRA performance.
- Amendment to 12 CFR 21 to eliminate references to obsolete bank security measures and to implement a FIRREA amendment to the Bank Protection Act of 1968.
- Proposed amendment to 12 CFR 34 to exempt additional transactions from the requirements of the appraisal rule.

Paralegal Unit

LASD's paralegal specialists provide services in the consumer and other areas, including reviewing and responding to consumer complaints involving national banks. The paralegals also handle appeals of consumer complaints forwarded from OCC's six districts. During 1991, the unit received 985 consumer complaints and completed responses to 887 complaints.

The paralegals continue to provide assistance to attorneys within the Law Department. In addition, the paralegal unit coordinated the statutory updates for the *Comptroller's Manual for National Banks*.

Administration

Quality Improvement

OCC has implemented a nationwide quality improvement (QI) program to enable the agency to:

- Help employees reach their highest potential.
- Create an environment of continuous improvement.
- Improve OCC's problem solving ability.
- Improve operational efficiency.
- Reduce organizational bureaucracy.

In 1991, the OCC analyzed the program to assure it was still meeting its objectives. As a result of the review, revisions to make QI more flexible and easier to apply were implemented.

Management Improvement

Management Improvement provides advice to the Senior Deputy Comptroller for Administration to ensure OCC compliance with the Federal Managers' Financial Integrity Act (FMFIA), the Federal Banking Agency Audit Act (FBAAA), and the Inspector General Act Amendment of 1988. The division also oversees OCC participation in executive branch management improvement initiatives such as privatization, information resource management, computer/data security, productivity, and quality management. It serves as liaison to the GAO and the Department of the Treasury's Inspector General (IG).

In 1991, the division coordinated congressional and Department of Treasury examination of OCC audit activities to assure that GAO and the IG received the information requested in a timely manner. The division kept OCC's senior management informed of these audit activities and findings. Management Improvement also monitored OCC initiatives to respond to audit findings.

The division also designed and implemented a GAO status report to be forwarded to the Department of Treasury on a monthly basis. The report responded to Treasury's request to receive ongoing information relating to GAO activities at all of Treasury's bureaus. Management Improvement also assured that OCC met all information requests and reporting requirements of the Inspector General and Treasury Department's Inven-

tory, Tracking, Closure System (ITC), an on-line, automated system that monitors findings and corrective actions associated with internal and external audits.

Resource Management

In 1991, the Resource Management Department continued to support OCC functions, activities, and employees. The department directed the relocation of the OCC headquarters office, developed an automated tracking system for applicants for employment at the OCC, evaluated and improved OCC training schools, implemented a new compensation program, and maintained group medical costs at existing levels.

In its relocation of OCC's headquarters office from L'Enfant Plaza to Independence Square, Resource Management's planning permitted a transition to the new facility with no disruption in operations and services. Other office lease and construction projects helped to reduce annual rental costs to the agency.

Resource Management also implemented an automated Applicant Tracking System to pinpoint barriers to the advancement of women and minorities. The system helps the OCC to achieve its affirmative employment goals and objectives.

The department also evaluated, revised, and updated bank supervision training schools. Courses reviewed include Bank Supervision, Applied Communication Techniques, Foreign Exchange, Instructor Training, Bank Securities Dealer/MSRB, and Funds Management. A Training Liaison Program was established to improve training products and services.

In 1991, OCC employees were compensated under a pay system comparable with systems offered by other federal financial regulators. The program maintains internal equity and recognizes quality performance. In other personnel matters, the department also contained group medical costs by expanding managed care and realizing savings through participating agreements with physicians and the prescription drug program.

Administrative Services

The Administrative Services Division (ASD) provides administrative support to the OCC in leasing and property management, building services, acquisitions management, and library services. In 1991, activities included

- Supervising the relocation of OCC's headquarters office from L'Enfant Plaza to its new Independence Square facility. ASD's real estate and design services unit also managed other office lease and construction projects to accommodate field office structural changes. These projects helped to reduce OCC rental costs.
- Assuming responsibility for OCC's new dining facility, copy center, and parking garage. The building services unit's parking duties included adopting a new policy which provides additional parking spaces for OCC employees.
- Awarding major contracts for employee life insurance, relocation services, data center equipment maintenance and facility operation services, and disaster recovery services. The acquisitions unit also began contract negotiations for bank examination training programs, headquarters moving services, and supplies. Minority and women-owned business outreach remained a priority in all negotiations.
- Initiating an outreach program to assess the library needs of OCC's districts. The library and information systems unit also supervised the retirement of paper files and records to the Washington National Records Center prior to the move to Independence Square, thereby saving time and moving costs. Meanwhile, the central records unit began indexing a significant amount of bank records.

Equal Employment Programs

In 1991, the Equal Employment Programs Division (EEP) promoted affirmative employment, developed an automated monitoring system to track Equal Employment Opportunity Act (EEO) complaints, designed a proposal for managing diversity in the workplace, and provided services and training to managers and employees throughout the OCC. EEP also produced a new EEO periodical for OCC employees.

EEP also updated OCC's national affirmative employment efforts. The division helped develop an automated Applicant Tracking System to monitor applicants seeking OCC employment. The system targets barriers to the advancement of women and minorities in the OCC. The division also developed an automated monitoring system to track information related to EEO complaints.

EEP also participated in an internal forum examining employment issues that will confront the OCC in the

next century, and developed training programs for EEC counselors and special emphasis managers. The division also trained EEO committees and provided sexual harassment training to the general workforce.

Training and Performance Development

Throughout 1991, the Training and Performance Development Division provided programs, products, and services to help OCC employees accomplish their goals. The division is composed of five teams: Washington training, examiner education and development, computer-based training, management training, and administrative support.

- The examiner education team evaluated the Bank Supervision, Applied Communication Techniques, Foreign Exchange, Instructor Training, Bank Securities Dealer/MSRB, and Funds Management schools. Based on these evaluations, the OCC updated its Foreign Exchange School and began to revise its Bank Supervision, MSRB, and Funds Management schools.
- The Washington and examiner training teams established a training liaison program and other initiatives to respond to the needs of OCC's workforce. The teams administered bank supervision training for bank examiners and general communications training for examiners and other OCC staff.
- The management development team initiated a "Leadership 2000 Management Development Project" to develop an OCC leadership profile, management development curriculum, and a succession planning policy. Division staff also piloted a managing personal growth program to help OCC managers balance their professional and personal goals.
- The administrative support team processed training requests for Washington personnel and made arrangements for all training classes. The group maintained a computerized training administration system and supported other division teams. In 1991, the team processed training requests for 272 sessions of OCC and FFIEC training programs involving over 1,300 students. The team also processed over 1,200 employee requests for external training.
- The computer-based training team compiled standards for OCC's microcomputer-based courses, increased the offerings of computer

based courses and helped customize existing courses for individual students's needs. The team also updated the Uniform Bank Performance Report (UBPR) module and post-test for the ANBE school.

Human Resources

During 1991, the Human Resources Division implemented a new compensation plan, prepared for conversion to a new automated personnel/payroll information system, provided a broad range of consulting services, and began initiatives to maintain the quality of employee benefits and services.

Implementation of the compensation plan in January 1991 brought all OCC employees under one pay system. As required by FIRREA, OCC's compensation plan provides pay comparable with that offered by the other federal financial regulators. The plan also bases annual pay increases on quality of performance and links increases to annual performance ratings.

The division continued preparations for conversion to an automated personnel/payroll system to streamline the processing of personnel actions by linking them directly to the system that generates resulting payroll actions. The conversion is scheduled for implementation in June 1992.

Human Resources also provided internal management consulting to OCC executives and senior managers to help improve organizational structures and operating methods. For example, it facilitated an analysis of the Compliance Management Department's activities, provided advice about management and executive development programs, and helped in the selection of conference sites for OCC managers.

In 1991, the division continued efforts to maintain the quality of employee benefits while containing costs. It contained group medical costs by expanding a managed care program. The division will also realize additional savings for OCC employees by participation agreements OCC's carrier has negotiated with physicians nationwide and through a mail order prescription drug program. The division also implemented a preferred provider network plan for OCC's group dental program and negotiated a three-year renewal of OCC's business travel accident program with no increase in premium.

Finally, Human Resources contained employee relocation costs in 1991. The division negotiated OCC's relocation contract thereby reducing management fees, and reduced OCC's real estate-related expenses.

Systems and Financial Management

The Deputy Comptroller for Systems and Financial Management (S&FM) is the OCC's chief financial officer and has primary responsibility for automated information systems development and operation. Support for OCC's information systems (MIS) is provided through four MIS divisions reporting to the deputy comptroller: applications development, systems support, supervisory research, and information resources management. These divisions support users and allow for the development and operation of more sophisticated information systems. The deputy comptroller serves as Chairman of the MIS Committee, which sets policies for information systems development at the OCC.

The deputy comptroller also ensures that OCC's financial resources are used efficiently. This responsibility rests in two divisions: financial management and financial review and systems management. These divisions help develop OCC's operating budget, control OCC payments, and provide financial reports and policy guidance on financial issues.

Applications Development

The Applications Development Division (ADD) is responsible for application systems development, maintenance, and support. The division is organized into the applications systems (ApSys) and applications support (ApSup) areas. ApSys consists of four branches: supervisory systems 1 & 2, administrative systems, and financial systems. These branches design, develop, analyze, implement, and maintain OCC application systems. ApSup, which supports applications systems, is composed of three branches: applications research, quality assurance, and data administration. Applications research explores new tools and methodologies; quality assurance develops standards and procedures, including the Application Development Life Cycle (ADLC), and data administration oversees OCC's corporate data management program.

In 1991, ADD initiated an information systems planning (ISP) project to develop information systems based on OCC's business function model. It also continued development of the *MIS Standards and Procedures Manual* to enhance the control and quality of ADD's activities.

ADD used the ADLC methodology on the following system development efforts: Home Mortgage Disclosure Act, supervisory data system (formerly the AEGIS/SMS integration project), executive information reports, holding company data access enhancement

to NBSVDS; shared national credits microcomputer data collection enhancement; licensing information system redesign; examination tracking enhancement to SMS; and National Finance Center payroll/personnel conversion project.

Systems Support

The Systems Support Division (SSD), located at the OCC's Centre Pointe data center facility in Landover, Maryland, operates OCC's mainframe computer facility and its software, along with the agency's telecommunications network, both voice and data. The division has two units, data center administration and telecommunications.

The data center administration unit (DCA) consists of four branches. The data base administration branch develops and maintains OCC's physical databases. The systems programming branch maintains the operating systems that run the mainframe hardware and also installs all software products used on the mainframe. The administration branch oversees the operations of the mainframe and report processing and distribution. The operations branch assures that users can access the mainframe on a round-the-clock basis. The customer services section oversees production control and assists OCC personnel with problems dealing with mainframe and personal computers (PCs).

The DCA also assures the security of the Centre Pointe facility and monitors the overall performance of the system. A capacity plan is prepared annually to project OCC mainframe and data communication network needs for the foreseeable future. Established targets are monitored monthly to assure the success of operations.

The telecommunications unit has two branches, voice/data communications and microcomputer and local area network (LAN) support. The voice/data communications branch provides advice and support on telephone systems used at headquarters, district, field, and duty station offices. In addition, the branch manages OCC use of the Federal Telecommunications System (FTS) and works with the Treasury Department and the General Services Administration on major telecommunications procurements. The branch also maintains and operates the OCC data communications network and value added network, which is used when dialing in from remote locations. This requires working with district personnel and other Washington divisions to coordinate all office relocations. The microcomputer and LAN support branch maintain the bureau-wide office automation program for microcomputer and LAN hardware and software. This includes helping to select

and purchase office automation equipment and software; analyzing new or improved technology, and developing policies for office automation equipment and software.

In 1991, the voice/data communications branch relocated OCC's data network to the new Independence Square site. This involved ensuring that the contractor completed the cabling and wiring of the new building, the procuring of supplies and materials, and supervising the installation of the telecommunications equipment and systems. The relocation of OCC's headquarters also required installation of a new telephone system, making OCC the first Treasury Department bureau to begin operations under the Treasury Digital Telecommunications Systems (DTS) contract with AT&T. The branch worked with AT&T and DTS staff to set policy, identify OCC needs, coordinate the installation of the telephones, and train users.

The division also conducted three disaster recovery exercises. Each exercise tested OCC's ability to restore operations at OCC's remote site. In these exercises, the division retrieved required backup materials and transported them to the disaster recovery site.

Supervisory Research

The Supervisory Research Division promotes microcomputer technology to improve OCC's supervision of national banks. New technology such as microcomputers, combined with networking and applications, provide examiners with direct access to databases as well as data and word processing. The division develops financial modeling and advanced financial analysis techniques for bank examiners; tests microcomputer software tools; and analyzes proposals involving technological applications for bank supervision.

In 1991, supervisory research revised all supervisory applications for changes to risk-based capital rules; developed a version of the risk-based capital application for banks; enhanced OCC's standard discounted cash flow application; improved the OCC's microcomputer expert system (BERT) to include large banks, tax issues, and enlarged investment security analysis. The division also completed and field tested an Interest Rate Margin Analysis Expert System (IRMA).

Research and development continues in new techniques and supervisory applications. For example, the division is conducting a feasibility study on applying expert system technology to an analysis of a bank's allowances for possible loan losses technique

Information Resources Management

Information Resources Management (IRM), formerly MIS Coordination plans develops, coordinates, administers and evaluates OCC's management information systems. This includes supporting the development of operating and longer range plans, developing policies for IRM, maintaining security controls over automated information systems; conducting OCC's Information Center operations; overseeing the Administration Department's LAN, controlling MIS equipment for headquarters, and providing administrative support to the other MIS divisions in the Systems and Financial Management Department. In 1991, IRM supported the MIS Committee, becoming involved in 13 meetings during the year, including 5 joint sessions with OCC's District Administrators; reviewed the information management recommendations in a Price Waterhouse study; developed recommendations to implement the findings; and oversaw the activities of the computer disk read only memory (CD ROM) task force.

IRM also directed an office automation study and reviewed OCC's 1992 office automation budget requests. The reviews led to IRM's recommendation to increase the numbers of standard portable units available to OCC field examiners. IRM also maintained a computer security program and conducted monthly computer security awareness classes for all new users at headquarters; purchased "virus detection" software for nationwide implementation to reduce the risks to the OCC; arranged for an annual risk analysis examination by OCC electronic data processing (EDP) specialists; and relocated OCC's data processing equipment to Independence Square, reinstalling delicate equipment with no interruption in business. In 1991, IRM also assumed responsibility for local telephone service and improved the availability of portable PCs for temporary use by headquarters staff.

Financial Management

The Financial Management Division promotes efficient use of the OCC's financial resources through financial planning and funds management. In 1991, the division began implementation of the Chief Financial Officers Act of 1990. Signed by President George Bush on November 15, 1990, the legislation is designed to improve accounting, financial management, and internal controls within the federal government.

The division first advised OCC's senior management about the effect on OCC operations of the Chief Financial Officers Act of 1990. It awarded a contract to an independent auditor for a financial audit of the OCC consistent with the act's requirements. participated in Treasury Department task groups involved in im-

plementing the act, and presented a five-year financial forecast and options for long-term funding of the OCC to senior management.

In 1991, the division began using microcomputer applications to respond to employee inquiries, reconcile subsidiary accounts, bill for trust examinations, and prepare budget reports and financial statements. The division reduced the time required to issue monthly financial reports to OCC managers and improved cash management by decreasing from thirty to two days the time needed to verify assessment collections and by implementing a system for collecting new securities fees. Financial Management also simplified OCC's budget process when it consolidated reviews, reduced time frames, and integrated operating plans and priority objectives.

Financial Review and Systems Management

The Financial Review and Systems Management Division is responsible for quality and internal control reviews as well as the development of OCC's financial systems.

In 1991, the Financial Review and Systems Management Division:

- conducted quality control reviews of the financial operations of three of OCC's districts;
- completed initial requirements for upgrading OCC's accounts payable and general ledger systems;
- limited changes to OCC software to reduce future maintenance costs;
- coordinated a modification of OCC's employee timekeeping system to allow the OCC to convert to the Agriculture Department's National Finance Center (NFC) Personnel Payroll system in 1992;
- analyzed the impact of the NFC payroll conversion on other OCC financial systems that use payroll data to assure availability of data from NFC after conversion;
- enhanced reporting from OCC's time and travel reporting system; and,
- formulated OCC's Five Year Financial Systems Improvement Plan

Comptrollers of the Currency, 1863 to the present

No	Name	Dates of tenure				State
1	McCulloch, Hugh	May	9, 1863	Mar	8, 1865	Indiana
2	Clarke, Freeman	Mar	21, 1865	July	24, 1866	New York
3	Hulburd, Hiland R.	Feb.	1, 1867	Apr	3, 1872	Ohio
4	Knox, John Jay	Apr	25, 1872	Apr	30, 1884	Minnesota
5	Cannon, Henry W.	May	12, 1884	Mar	1, 1886	Minnesota
6	Trenholm, William L.	Apr.	20, 1886	Apr.	30, 1889	South Carolina
7	Lacey Edward S.	May	1, 1889	June	30, 1892	Michigan
8	Hepburn, A. Barton	Aug	2, 1892	Apr	25, 1893	New York
9	Eckels, James H.	Apr.	26, 1893	Dec	31, 1897	Illinois
10	Dawes, Charles G.	Jan	1, 1898	Sept.	30, 1901	Illinois
11	Ridgely, William Barret	Oct.	1, 1901	Mar	28, 1908	Illinois
12	Murray, Lawrence O.	Apr.	27, 1908	Apr.	27, 1913	New York
13	Williams, John Skelton	Feb.	2, 1914	Mar	2, 1921	Virginia
14	Crissinger, D.R.	Mar	17, 1921	Mar	30, 1923	Ohio
15	Dawes, Henry M.	May	1, 1923	Dec	17, 1924	Illinois
16	McIntosh, Joseph W.	Dec.	20, 1924	Nov	20, 1928	Illinois
17	Pole, John W.	Nov.	21, 1928	Sept	20, 1932	Ohio
18	O'Conner, J.F.T.	May	11, 1933	Apr.	16, 1938	California
19	Delano, Preston	Oct.	24, 1938	Feb	15, 1953	Massachusetts
20	Gidney, Ray M.	Apr.	16, 1953	Nov.	15, 1961	Ohio
21	Saxon, James J.	Nov.	16, 1961	Nov.	15, 1966	Illinois
22	Camp, William B.	Nov.	16, 1966	Mar.	23, 1973	Texas
23	Smith, James E.	July	5, 1973	July	31, 1976	South Dakota
24	Heimann, John G.	July	21, 1977	May	15, 1981	New York
25	Conover, C.T.	Dec.	16, 1981	May	4, 1985	California
26	Clarke, Robert L.	Dec.	2, 1985	Feb.	29, 1992	Texas

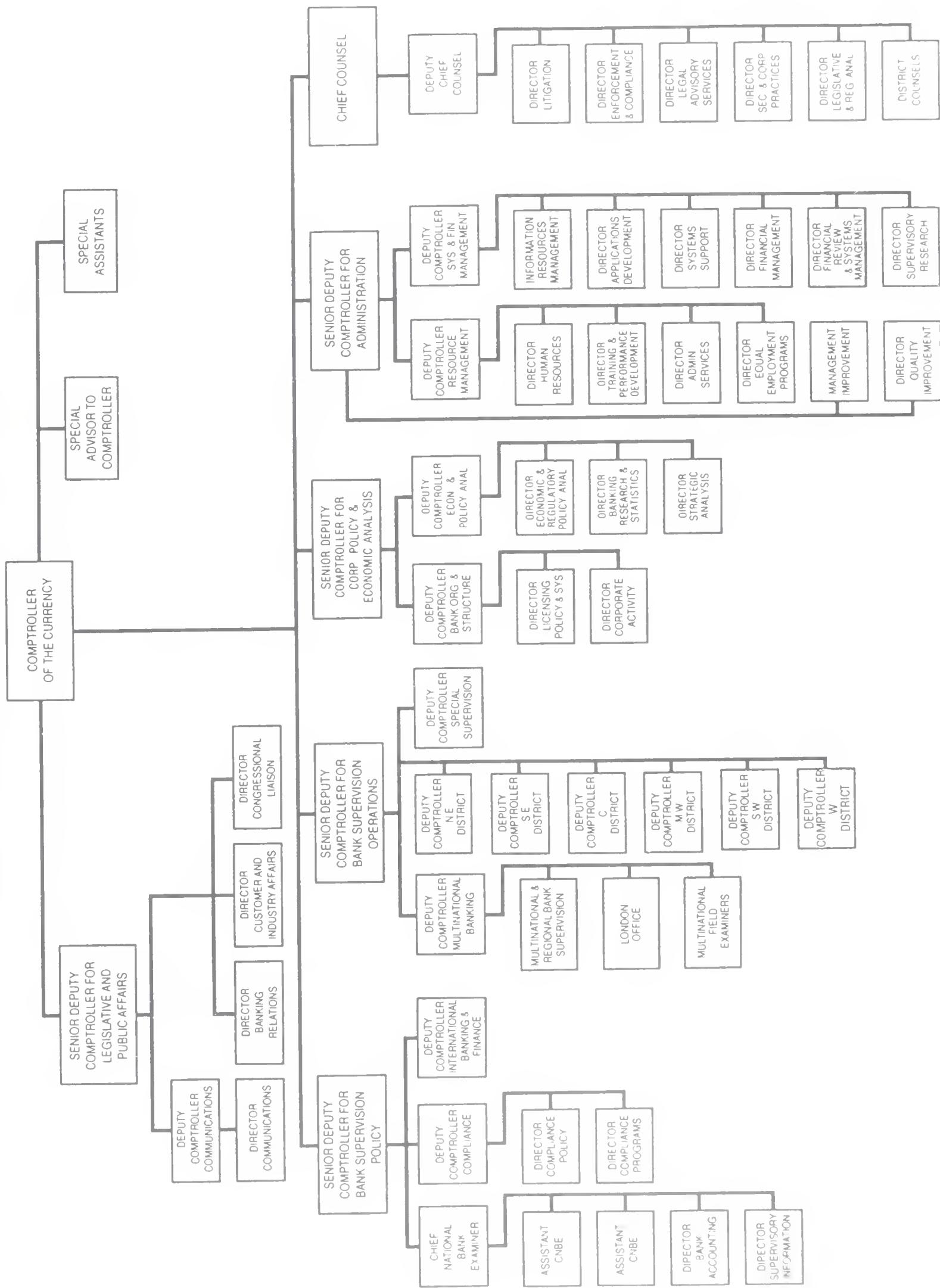
Senior Deputy and Deputy Comptrollers of the Currency, 1863 to the present

No	Name	Dates of tenure				State
1	Howard, Samuel T	May 9, 1863	Aug 1, 1865			New York
2	Hulburd, Hiland R	Aug 1, 1865	Jan 31, 1867			Ohio
3	Knox, John Jay	Mar. 12, 1867	Apr 24, 1872			Minnesota
4	Langworthy, John S.	Aug 8, 1872	Jan 3, 1886			New York
5	Snyder, V.P.	Jan. 5, 1886	Jan 3, 1887			New York
6	Abrahams, J D	Jan. 27, 1887	May 25, 1890			Virginia
7	Nixon, R M.	Aug 11, 1890	Mar 16, 1893			Indiana
8	Tucker, Oliver P	Apr 7, 1893	Mar 11, 1896			Kentucky
9	Coffin, George M	Mar 12, 1896	Aug 31, 1898			South Carolina
10	Murray, Lawrence O.	Sept 1, 1898	June 29, 1899			New York
11	Kane, Thomas P	June 29, 1899	Mar. 2, 1923			District of Columbia
12	Fowler, Willis J.	July 1, 1908	Feb 14, 1927			Indiana
13	McIntosh, Joseph W	May 21, 1923	Dec 19, 1924			Illinois
14	Collins, Charles W	July 1, 1923	June 30, 1927			Illinois
15	Stearns, E W.	Jan. 6, 1925	Nov 30, 1928			Virginia
16	Awalt, F.G.	July 1, 1927	Feb 15, 1936			Maryland
17	Gough, E.H.	July 6, 1927	Oct 16, 1941			Indiana
18	Proctor, John L.	Dec. 1, 1928	Jan 23, 1933			Washington
19	Lyons, Gibbs	Jan. 24, 1933	Jan. 15, 1938			Georgia
20	Prentiss, Jr., William	Feb. 24, 1936	Jan 15, 1938			Georgia
21	Diggs, Marshall R.	Jan. 16, 1938	Sept 30, 1938			Texas
22	Oppegard, G.J.	Jan. 16, 1938	Sept 30, 1938			California
23	Upham, C.B.	Oct 1, 1938	Dec 31, 1948			Iowa
24	Mulroney, A.J.	May 1, 1939	Aug 31, 1941			Iowa
25	McCandless, R.B.	July 7, 1941	Mar 1, 1951			Iowa
26	Sedlacek, L.H.	Sept 1, 1941	Sept. 30, 1944			Nebraska
27	Robertson, J.L.	Oct 1, 1944	Feb. 17, 1952			Nebraska
28	Hudspeth, J.W.	Jan. 1, 1949	Aug 31, 1950			Texas
29	Jennings, L.A.	Sept 1, 1950	May 16, 1960			New York
30	Taylor, W.M.	Mar 1, 1951	Apr. 1, 1962			Virginia
31	Garwood, G W	Feb. 18, 1952	Dec. 31, 1962			Colorado
32	Fleming, Chapman C	Sept 15, 1959	Aug 31, 1962			Ohio
33	Haggard, Holis S	May 16, 1960	Aug 3, 1962			Missouri
34	Camp, William B.	Apr 2, 1962	Nov. 15, 1966			Texas
35	Redman, Clarence B.	Aug 4, 1962	Oct 26, 1963			Connecticut
36	Watson, Justin T.	Sept. 3, 1962	July 18, 1975			Ohio
37	Miller, Dean E	Dec. 23, 1962	Oct. 22, 1990			Iowa
38	DeShazo, Thomas G	Jan. 1, 1963	Mar 3, 1978			Virginia
39	Egertson, R. Coleman	July 13, 1964	June 30, 1966			Iowa
40	Blanchard, Richard J	Sept 1, 1964	Sept. 26, 1975			Massachusetts
41	Park, Radcliffe	Sept. 1, 1964	June 1, 1967			Wisconsin
42	Faulstich, Albert J.	July 19, 1965	Oct. 26, 1974			Louisiana
43	Motter, David C.	July 1, 1966	Sept. 20, 1981			Ohio
44	Gwin, John D.	Feb. 21, 1967	Dec 31, 1974			Mississippi
45	Howland, Jr., W A	July 5, 1973	Mar. 27, 1978			Georgia
46	Mullin, Robert A.	July 5, 1973	Sept. 8, 1978			Kansas
47	Ream, Joseph M.	Feb. 2, 1975	June 30, 1978			Pennsylvania
48	Bloom, Robert	Aug 31, 1975	Feb. 28, 1978			New York
49	Chotard, Richard D	Aug 31, 1975	Nov. 25, 1977			Missouri
50	Hall, Charles B	Aug 31, 1975	Sept. 14, 1979			Pennsylvania
51	Jones, David H.	Aug 31, 1975	Sept. 20, 1976			Texas
52	Murphy, C. Westbrook	Aug 31, 1975	Dec 30, 1977			Maryland
53	Selby, H Joe	Aug 31, 1975	Mar 15, 1986			Texas
54	Homan, Paul W.	Mar 27, 1978	Jan 21, 1983			Nebraska
55	Keefe, James T.	Mar 27, 1978	Sept 18, 1981			Massachusetts
56	Muckenfuss, Cantwell F. III	Mar 27, 1978	Oct 1, 1981			Alabama
57	Wood, Billy C.	Nov 7, 1978	Jan 16, 1988			Texas
58	Longbrake, William A	Nov 8, 1978	July 9, 1982			Wisconsin
59	Odorn, Jr., Lewis G.	Mar 21, 1979	Nov 16, 1980			Alabama
60	Martin, William E	May 22, 1979	Apr 4, 1983			Texas
61	Barefoot, Jo Ann	July 13, 1979	Sept 5, 1982			Connecticut
62	Downey, John	Aug 10, 1980	Aug 2, 1986			Massachusetts
63	Lord, Charles E.	Apr 13, 1981	Mar 31, 1982			Connecticut
64	Bench, Robert R	Mar 21, 1982	Sept 25, 1987			Massachusetts
65	Klinzing, Robert R	Mar 21, 1982	Aug 21, 1983			Connecticut
66	Robertson, William L	Mar 21, 1982	Sept 26, 1986			Texas
67	Arnold, Doyle L.	May 2, 1982	May 12, 1984			California
68	Weiss, Steven J	May 2, 1982	May 19, 1985			Pennsylvania
69	Stephens, Martha B	June 1, 1982	Jan 19, 1985			Georgia
70	Stimweis, Craig M	Sept 19, 1982	May 1, 1986			Idaho
71	Herrmann, Robert J	Jan 1, 1983				Illinois
72	Mancusi, Michael A	Jan 1, 1983	Feb 17, 1986			Maryland

Senior Deputy and Deputy Comptrollers of the Currency, 1863 to the present—continued

	Name	Dates of tenure				State
73	Marratt, Dean S.	Jan	1	1983		Missouri
74	Ford, Clinton A., Jr.	Jan	1	1983		North Carolina
75	Taylor, Thomas W.	Jan	1	1983	Jan 16, 1990	Ohio
76	Boand, Jr., James E.	Feb	7	1983	Feb 15, 1985	Pennsylvania
77	Fisher, Jerry	Apr	17	1983		Delaware
78	Patriarca, Michael	July	10	1983	Aug 15, 1986	California
79	Wilson, Karen J.	July	17	1983		New Jersey
80	Winstead, Bobby B.	Mar	18	1984	June 11, 1991	Texas
81	Chew, David L.	May	2	1984	Feb 2, 1985	District of Columbia
82	Walter, Judith A.	Apr	24	1985		Indiana
83	Maguire, Francis E., Jr.	Jan	9	1986		Virginia
84	Kraft, Peter C.	July	20	1986	Sept 15, 1991	California
85	Klinzing, Robert R.	Aug	11	1986		Connecticut
86	Hechinger, Deborah S.	Aug	31	1986	Sept 14, 1987	District of Columbia
87	Norton, Gary W.	Sept	3	1986		Missouri
88	Shepherd, J. Michael	Jan	9	1987	May 3, 1991	California
89	Rushton, Emory W.	Jan	21	1987	Sept 20, 1989	South Carolina
90	Flechter, Jonathan L.	Mar	4	1987	Oct 30, 1987	Pennsylvania
91	Stolte, William J.	Mar	11	1987		New Jersey
92	Clock, Edwin H.	Feb	29	1988	Jan 3, 1990	California
93	Krause, Susan F.	Mar	30	1988		California
94	Coonley, Donald G.	June	29	1988		Virginia
95	Blakely, Kevin M.	Oct	12	1988	Sept 27, 1990	Illinois
96	Steinbrink, Stephen R.	Apr	8	1990		Nebraska
97	Lindhart, Ronald	Apr	22	1990	July 27, 1991	Florida
98	Hartzell, Jon K.	July	29	1990		California
99	Cross, Leonora S.	Nov	4	1990		Utah
100	Finke, Fred D.	Nov	4	1990		Nebraska
101	Kamihachi, James D.	Nov	6	1990		Washington
102	Barton, Jimmy F.	July	14	1990		Texas
103	Cross, Stephen M.	July	28	1991		Virginia

OFFICE OF THE COMPTROLLER OF THE CURRENCY



Community Reinvestment Act

The Office of the Comptroller of the Currency (OCC) is required by the Community Reinvestment Act (CRA), 12 U.S.C. 2901, *et seq.*, to include in its annual report to Congress a section outlining the actions it has taken to carry out its responsibilities under the act. The CRA requires the OCC to encourage national banks to help meet the credit needs of the local communities in which they are chartered to do business. During an examination of a national bank, the OCC assesses the bank's record of helping to meet the credit needs of the bank's entire community, including low- and moderate-income neighborhoods. The OCC is also required to take into account compliance with CRA when evaluating national bank applications for deposit facilities.

In 1991, the OCC conducted CRA Performance Evaluations of 789 national banks. The ratings were as follows: 80 national banks received an "outstanding" evaluation, 606 a "satisfactory," 97 institutions received a "needs to improve" rating while 6 were in "substantial noncompliance" with CRA. So that the public will have a better understanding of these CRA Performance Evaluations, now available to the public, the OCC also worked through the Federal Financial Institutions Examination Council (FFIEC) to develop a *CRA Pamphlet* explaining this new 4-tier rating system, implemented as a result of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) amendments to the CRA.

Other ways in which the OCC carries out its responsibilities under the CRA is through its compliance pro-

gram which, in addition to the CRA, monitors national bank compliance with fair lending and consumer protection laws, bank secrecy, and bank government and municipal securities dealers. One of the components of the compliance program is to inform bank management of its compliance responsibilities. In 1991, the OCC issued over 30 bulletins, circulars, and advisories related to compliance.

The OCC also considers CRA performance when it evaluates an application filed by a national bank to open a new deposit facility such as a branch. Other applications, such as merger requests, corporate reorganizations, or relocations, also include, among other things, CRA evaluations. These evaluations occur whether or not the institution's CRA performance is protested by an outside group. In 1991, the OCC received 2,891 CRA related applications; 5 of these applications were protested by outside groups. The OCC conditionally approved 18 applications based on CRA related grounds; none of these applications were protested.

The OCC's Customer and Industry Affairs Division also encourages banks to help meet local credit needs through its ongoing program of activities to increase the industry's sensitivity to customer and community needs. The division's activities in 1991 are summarized in the Report of Operations article in this issue. Additional information on the OCC's CRA related activities may be found in the Report of Operations under the Compliance Management Department section.

Consumer Complaints

The Federal Trade Commission Act of 1975 (15 U.S.C. 41, et seq.) requires the Office of the Comptroller of the Currency (OCC) to receive and take appropriate action upon complaints directed against national banks and to annually report these activities to Congress.

During 1991, the OCC received 15,121 written consumer complaints filed against national banks. By January 31, 1992, 91 percent of these complaints had been resolved. The average resolution time in 1991 was 27 days.

The largest number of complaints continues to relate to loans, accounting for 48 percent of the total complaints resolved. Credit cards were involved in 46 percent of the loan complaints resolved. Deposits were the next largest category, at 25 percent of the total resolved complaints. Complaints about trust and securities matters were about 4 percent of the resolved complaints. No other category of complaints equaled 5 percent or more of all complaints.

*Consumer Complaints, 1991
(written complaints received and resolved*)*

Resolution Code	Deposits	Home Equity Loans	Credit Cards	Other Loans	EFT	Trust and Investment Securities	All Other	Total
Withdrawn, no reply necessary	134	7	65	118	11	17	124	476
Bank error	474	19	282	325	33	51	42	1,226
Bank legally correct	1,078	65	1,494	1,112	40	161	165	4,115
Communication problem	257	20	164	242	9	36	37	765
Referrals to other agencies	64	8	85	88	1	11	1,931	2,188
Information provided	361	24	355	517	10	48	425	1,740
Settled by mutual consent	339	27	295	418	32	60	81	1,252
Violation of law	45	3	93	43	17	1	3	205
Factual dispute	314	7	157	278	44	53	45	898
In/for litigation	353	4	54	293	26	79	109	918
Total	3,419	184	3,044	3,434	223	517	2,962	13,783

* As of January 31, 1992

Change in Bank Control Act

The Change in Bank Control Act of 1978 (CBCA) requires parties seeking control of a bank or bank holding company to obtain approval from the appropriate federal banking agency before the transaction occurs. Under the act, the OCC is responsible for reviewing changes in the control of national banks including the:

- financial capacity, competence, experience, and integrity of the acquiring party;
- the effect on the financial condition of the bank to be acquired; and,
- the effect on competition in any relevant market.

Under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the OCC must also

consider the effect of the transaction on the Bank Insurance Fund.

Public notice of each proposed change in control is published in the newspaper of largest general circulation in the community where the national bank's home office is located. In addition, the OCC assesses the qualifications of each party seeking control and routinely investigates and verifies information contained in each change in control notice.

The OCC acted on 15 proposed changes in control of national banks in 1991. It consented to 6 proposals, disapproved 6, and 3 were withdrawn prior to decision. Consistent with the OCC's previous experience, the disapprovals related primarily to unsatisfactory financial capacity, experience, integrity, or competence of the acquiring party.

*CBCA notices processed, with disposition,
1986 - 1991*

Year	Acted On	Not Disapproved	Disapproved	Withdrawn
1991	15	6	6	3
1990	42	32	5	5
1989	55	48	3	4
1988	42	34	4	4
1987	60	41	8	11
1986	71	54	4	13

Recent Corporate Decisions

On October 23, 1991, the OCC granted conditional approval to Button Gwinnett National Bank, Snellville, Georgia, to operate a deposit pickup service as a mobile branch. The approval marked the first time the OCC has granted a mobile branch application for a national bank in Georgia.

On October 29, 1991, OCC approved an application by Bank of America, National Trust and Savings Association, San Francisco, California, to expand the activities of its leasing subsidiary to include performing personal property leasing activities for unrelated third party lessors. The OCC had not previously approved this activity. This application also marked the first time the OCC has approved an activity under the new lease financing rules (12 CFR 23).

On November 17, 1991, the OCC denied a new bank charter proposal. The OCC found the new bank's proposed chief executive officer unacceptable; it also believed that the initial capital contribution was inadequate, that the operating plan could not be supported, and that the proposed bank's organizing group was not familiar with the operating plan or the content of the application.

On November 27, 1991, the OCC denied a bank's request to establish an operating subsidiary to provide real estate appraisal services to the general public. The OCC concluded that the proposed activity was not incidental to banking. The OCC suggested that the applicant consider organizing a bank service corporation because it legally could perform real estate appraisal services for the general public subject to the approval of the Federal Reserve Board.

On November 27, 1991, the OCC approved an application filed by First Commercial Bank, N.A., Memphis, Tennessee, to relocate its head office. The approval came even though the bank had a Community Reinvestment Act (CRA) rating of "needs to improve." Although OCC policy generally grants conditional approval to applications from banks with a "needs to improve" rating and withholds final approval until applicants improve CRA performance to a satisfactory

level, the OCC made an exception in this case because the owner of the head office site had put the building up for sale. The building also showed evidence of asbestos, posing a health threat to bank employees and customers. In its approval letter to the applicants, the OCC indicated it expected the bank to fulfill its CRA responsibilities before the OCC would consider additional corporate changes.

On December 19, 1991, the OCC disapproved a bank's proposal to acquire a branch office of an affiliate bank located in a different county from the acquiring bank. The OCC denied the proposal because it violated the relevant state's branching law. Except in certain emergencies not relevant in this case, that state law permitted the cross-county acquisition of banks, but not bank branches.

On December 19, 1991, the OCC conditionally approved two mobile branches for Palm Beach National Bank, North Palm Beach, Florida. The bank currently operates one mobile branch in Florida, approved by the OCC in March, 1991. This proposal involved a request by the bank to operate two additional vehicles along the same route used by the existing mobile branch. Although the applicant claimed that additional branch applications were not necessary since new sites were not being served, the OCC disagreed. Instead, it ruled that increasing the number of vehicles and operating them simultaneously would create a branch network more than contemplated in the original approval decision. In addition, the bank had received a "needs to improve" CRA rating; hence, the OCC's approval of the proposal was conditioned upon the bank correcting CRA deficiencies before operating the two mobile branches.

Corporate Decisions Related to the Community Reinvestment Act

On November 7, 1991, the OCC granted conditional approval to Los Robles National Bank, Thousand Oaks, California, to relocate its head office. The applicant had a CRA performance rating of "needs to improve" in its efforts to ascertain community credit needs, in its

This section summarizes selected corporate decisions completed during the fourth quarter of 1991. The cases are noteworthy because they represent issues of importance or unusual methods of accomplishing a particular expansion activity. Copies of the public sections of the applications may be obtained from the Communications Division of the OCC in Washington, D.C.

The section related to CRA is provided pursuant to Banking Circular 238, dated June 15, 1989. It includes summaries to provide easier access to OCC's decisions on national bank corporate applications that have been conditionally approved or denied on grounds related to CRA. The decision letters are published monthly in OCC's Interpretations series. Decision letters for all CRA related decisions are available upon request from the Communications Division.

method for identifying and reaching low- and moderate-income areas for its credit-related programs, and in its system of evaluating the distribution of credit applications, denials, and extensions. The conditional approval required the applicant to submit, within 30 days of the decision, a report detailing actions to be taken by the bank to achieve a satisfactory CRA rating. The bank will also be unable to relocate its head office until it has achieved a satisfactory level of performance under CRA.

On December 20, 1991, OCC granted conditional approval for Palm Beach National Bank & Trust Company, North Palm Beach, Florida, to establish two mobile branches. The applicant's CRA performance was rated "needs to improve" in determining community credit needs, in delineating the bank's entire community, and in determining the appropriateness of credit products offered in the community. Before the branches can be operated, the bank must complete the following: formally redefine its delineated community to include only those areas it can reasonably expect to serve; develop flexible products and services for individuals consistent with safe and sound banking practices; develop and implement a marketing and advertising program to inform communities of the availability of lending products and services; and analyze the geographic distribution of credit extensions, including approved and denied applications. The branches cannot be opened until all conditions have been met and the applicant has demonstrated satisfactory performance under the CRA.

*Cross-county Applications
(as of December 31, 1991)*

State	Received	Approved	Denied	Pending
Alabama	1	1	0	0
Florida	13	13	0	0
Georgia	1	0	1	0
Iowa	1	0	1	0
Indiana	3	3	0	0
Kansas	6	5	1	0
Louisiana	22	22	0	0
Mississippi	2	2	0	0
Missouri	2	2	0	0
Tennessee	20	20	0	0
Texas	6	6	0	0
Wisconsin	3	3	0	0
TOTALS	80	77	3	0

This chart lists cross-county applications filed with the OCC as a result of OCC's decision on July 9, 1985, to allow Deposit Guaranty National Bank, Jackson, Mississippi, to branch to the same extent as state-chartered savings and loans.

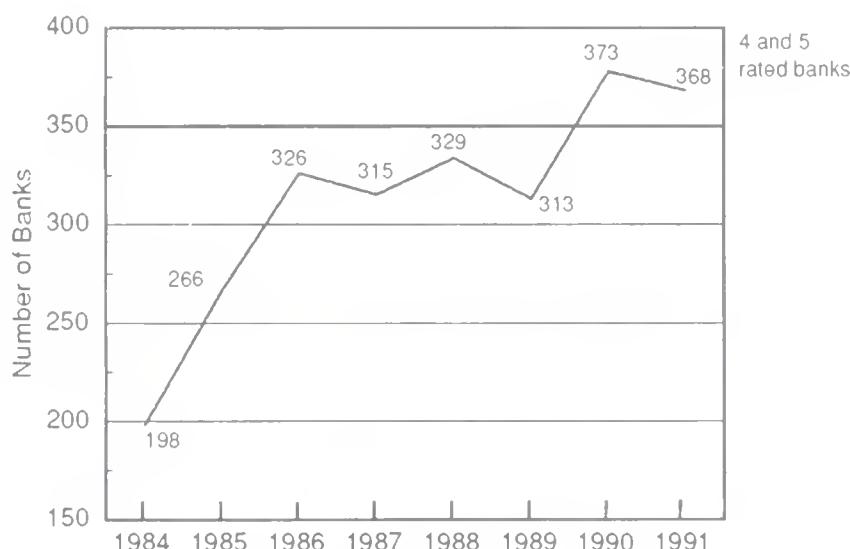
Ballard C. Gilmore
Corporate Activity Division

Special Supervision and Enforcement Activities

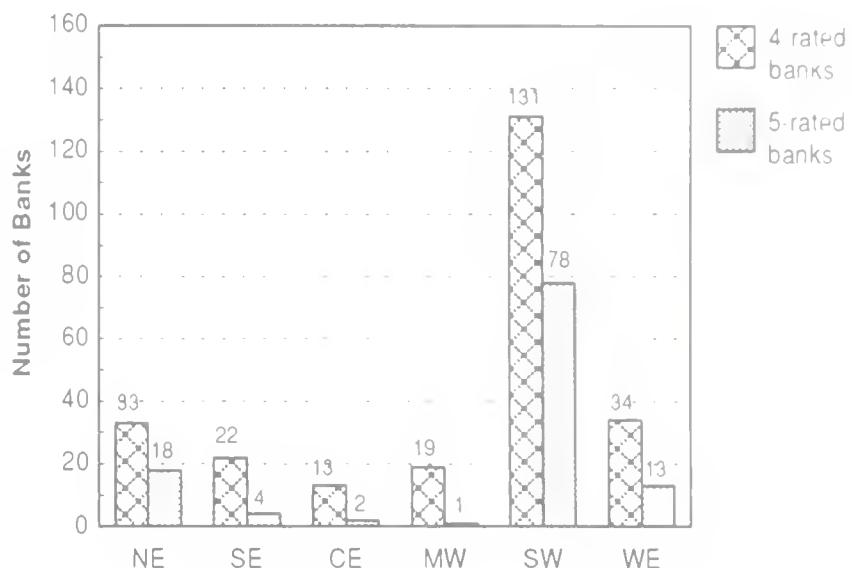
Problem National Banks

In 1991, the Office of the Comptroller of the Currency (OCC) classified 368 national banks as problem banks, 5 less than in 1990. Although the majority of problem banks remain in the Southwestern District, an improvement in the overall economic condition in these states led to fewer problems in 1991 than in previous years. Unfortunately, the number of problem national banks in the rest of OCC's districts continued to increase significantly, rising from 87 in 1989 to 159 in 1991. This increase largely reflects weaker economic conditions in other parts of the country, especially in the Northeastern District. The Northeastern District also had the largest dollar volume of problem national banks in the U.S. in 1991.

Problem National Bank Historical Trend Line



Problem Banks By District (as of December 31, 1991)

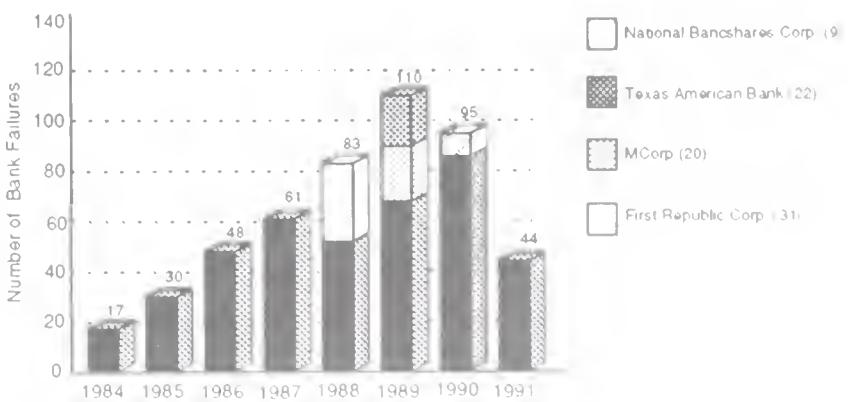


National Bank Failures

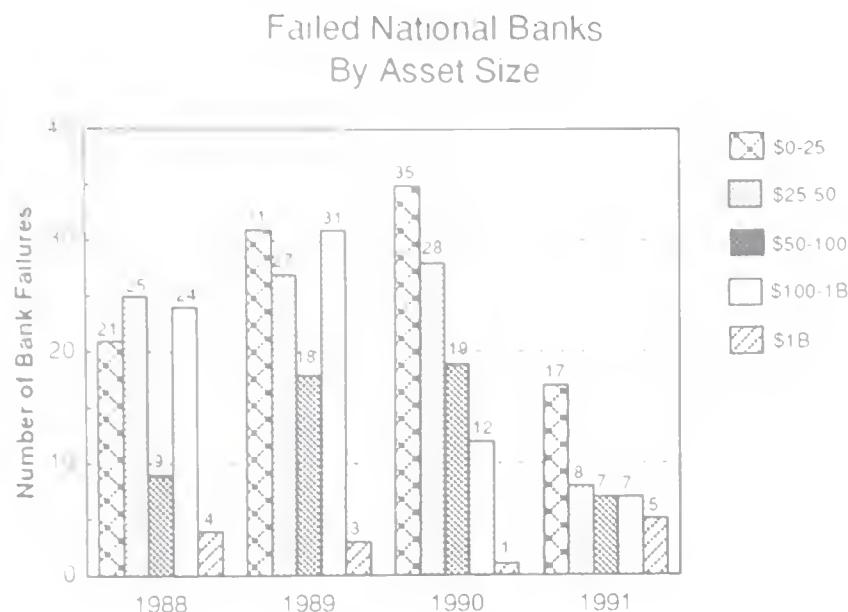
In 1991, 124 commercial banks failed, of which 44 were national banks, or 36 percent of all bank failures. These 44 failures in 1991 show an improvement in the overall health of the national banking system in that they accounted for the fewest number of failures since 1985.

As in 1990, the greatest number of failures occurred in banks with less than \$25 million in total assets. However, a record number of large national banks with more than \$1 billion in total assets also failed during the year.

National Bank Failures

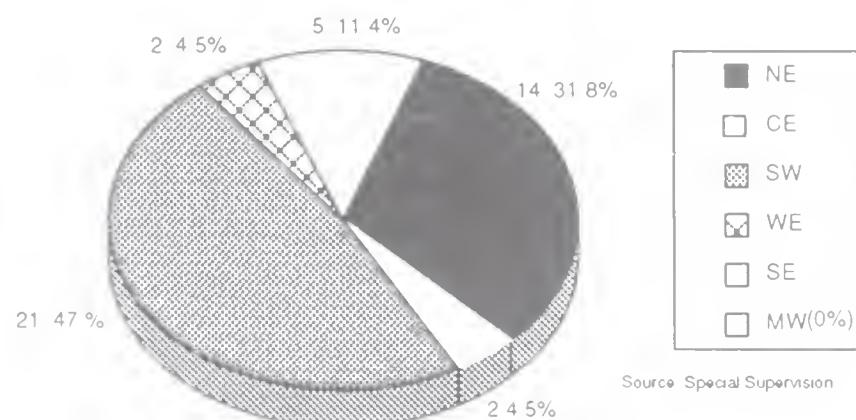


This section includes information on problem national banks, national bank failures, and summaries of recent enforcement cases. Data on problem banks and bank failures is provided by OCC's Special Supervision Division in Washington. Information on enforcement actions comes from that division and from the Enforcement and Compliance Division of the Law Department. The latter is principally responsible for presenting and litigating administrative actions on the OCC's behalf against banks requiring special supervision.



The majority of national banks that failed in 1991 were located in OCC's Southwestern District, not surprising since that district also has the most problem banks. As was the case with problem national banks, however, fewer national banks failed in the Southwestern District in 1991 than in previous years.

**National Bank Failures by OCC District
(as of December 31, 1991)**

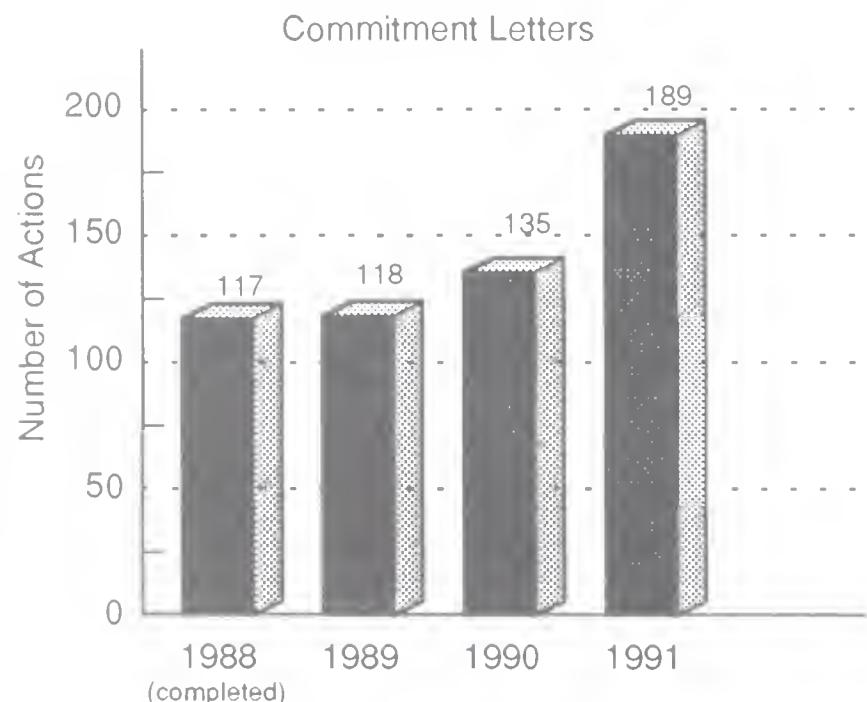


Enforcement Actions

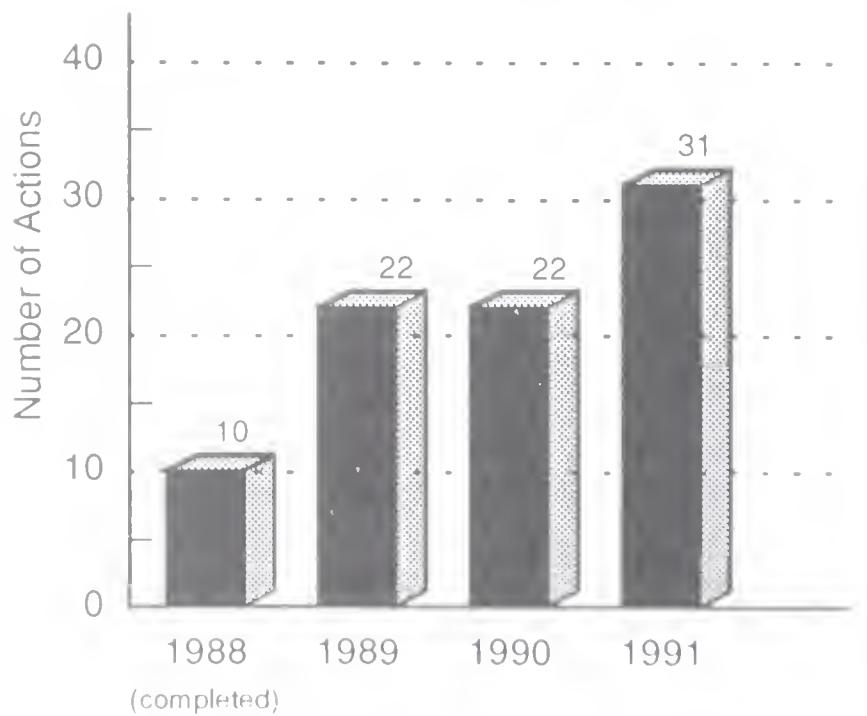
The OCC has a number of remedies to carry out its supervisory responsibilities. When it identifies safety and soundness or compliance problems in a national bank, these tools range from informal advice and moral suasion to formal enforcement action. These mechanisms are designed to achieve expeditious corrective and remedial action to return the bank to a safe and sound condition.

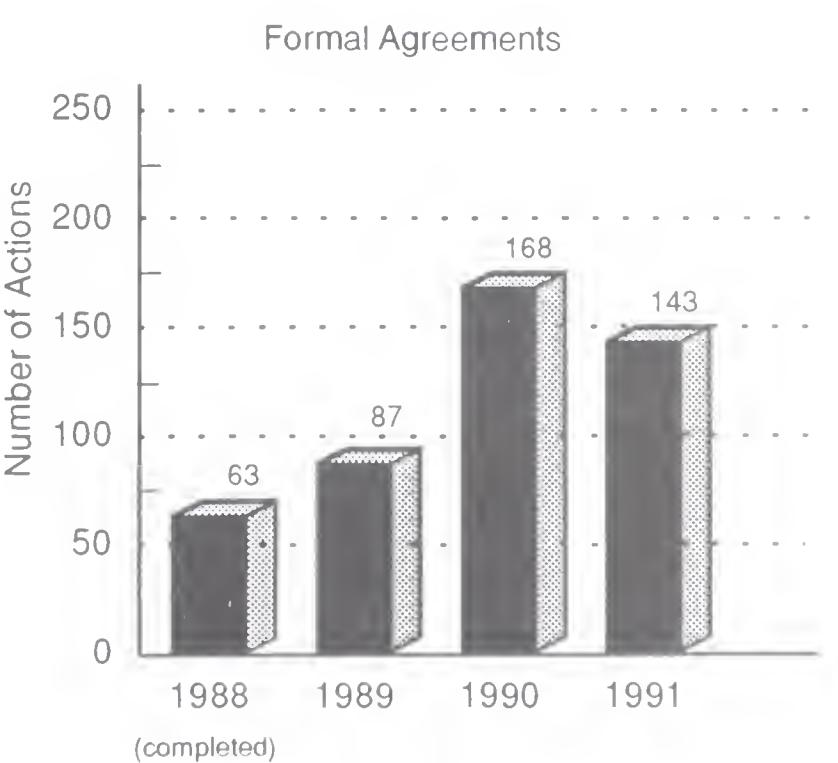
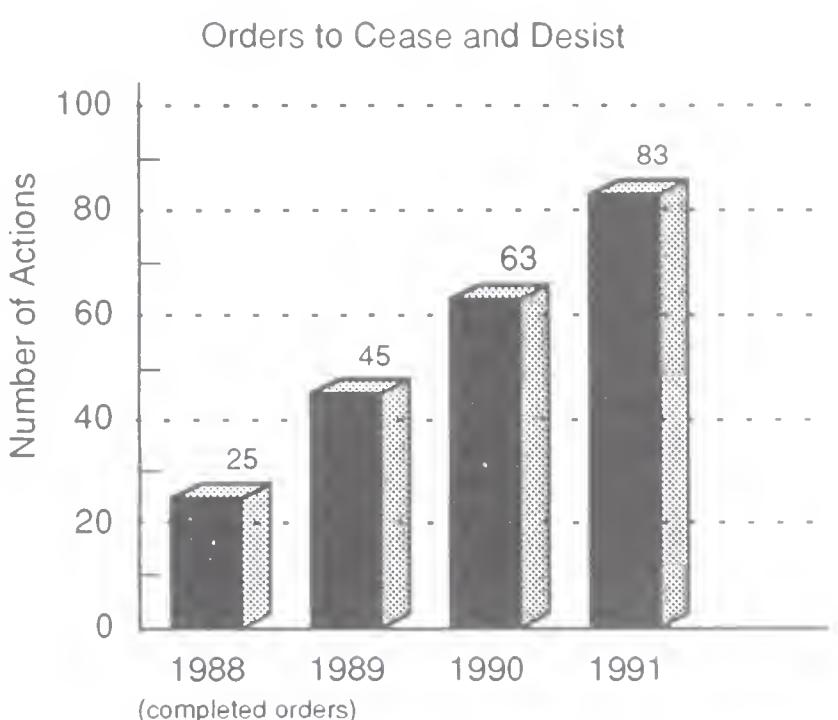
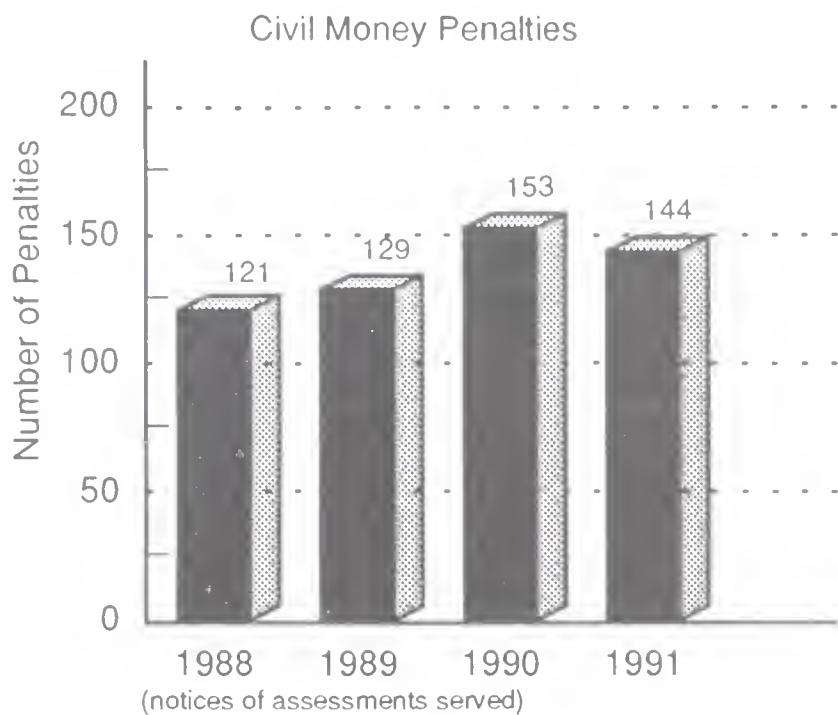
The OCC's informal actions include commitment letters and memoranda of understanding (MOUs). Informal actions are meant to handle less serious supervisory problems identified by the OCC in its supervision of national banks. While they are not binding legal documents, failure to honor informal actions will provide evidence of the need for formal actions.

The most common types of formal actions issued by the OCC over the past several years have been formal agreements, civil money penalties (CMPs), cease and desist orders, and removals. Formal agreements are documents signed by a national bank's board of directors and the OCC in which specific corrective and remedial measures are specified as necessary to return the bank to a safe and sound condition. CMPs are authorized for violations of laws, rules, regulations, formal written agreements, final orders, conditions imposed in writing, and, under certain circumstances, unsafe or unsound banking practices or breaches of fiduciary duty. Cease and desist orders, essentially identical in form and legal effect to consent orders, may be legally enforced. Like a formal agreement, they contain a series of remedial measures in article form. Finally, the OCC occasionally is compelled to use removal orders to seek the removal from banking of officers and directors who have violated the law or acted in an unsafe and unsound manner.



Memorandums of Understanding





Recent Enforcement Cases

The OCC filed a notice assessing a CMP and a notice of intention to prohibit further participation in banking against Linda J. Richie, former president and director of Corinth Deposit National Bank, Corinth, Kentucky, a failed community bank. The notices alleged repeated violations of lending limits rules (12 U.S.C. 84). Ms. Richie consented to a permanent prohibition and to the payment of a \$10,000 CMP to settle the action. The former president and director neither admitted nor denied any wrongdoing by settling the action.

The OCC reached a settlement agreement on a CMP and permanent prohibition action against John B. Stevenson, former director of Blanco National Bank, Blanco, Texas. The CMP and permanent prohibition were based on alleged extensions of credit which directly benefitted the former director, violating 12 U.S.C. 375b(2) and (3) and 12 CFR 215.4(a) and (b). Although Mr. Stevenson consented to a CMP and to a permanent prohibition, he neither admitted nor denied any wrongdoing by settling the action.

The OCC initiated an investigation into the activities of a now failed trust bank in its handling of money held in several fiduciary accounts. The inquiry involves loans from trust accounts to entities managed by the bank for foreign principals, loans to and from an officer's family business entities in Puerto Rico, and loans which helped pay off a mortgage debt of one of the managed companies.

The OCC completed its investigation into the commercial paper program of an insolvent regional bank located in the Northeastern District. The OCC subsequently initiated prohibition and CMP proceedings against a bank employee and CMP proceedings against a senior officer and director of the bank based

Securities Law violations in the commercial paper program. The OCC also issued a letter of reprimand to an officer of the bank.

At the same financial institution, the OCC assessed large CMPs against two senior officers and directors of the bank based on violations of the laws governing affiliate transactions. The OCC also issued letters of reprimand to fifteen directors of the bank based on their failure to prevent these affiliate violations.

The OCC settled eight administrative actions against individuals associated with Gateway National Bank, Phoenix, Arizona, which were based on alleged violations of a cease and desist order and unsafe and unsound practices in the bank's credit card merchant processing business. Joanne Hemingway, an institution-affiliated party of the bank, paid a penalty of \$10,000 and consented to a prohibition from banking. James Rauschkolb, a former director of the bank, consented to a prohibition from banking and paid a \$15,000 penalty. Finally, Michael Briggs, the former president of the bank, paid a penalty of \$5,000 and consented to a prohibition. Five outside directors of the bank paid penalties of \$5,000 each for their participation in the violations. The bank lost approximately \$1.5 million under its credit card merchant processing program, and this loss contributed to the bank's insolvency.

The OCC settled five prohibition actions initiated against former directors of Northeast National Bank of Mesquite, Garland, Texas. Without admitting or denying the charges against them, Harold P. Gilley, Tony E. Arterburn, Morris Arterburn, Steven Switzer, and E.W. Switzer consented to permanent prohibitions from the banking industry. The action charged that these five directors breached their fiduciary duty to the bank to pay rent in excess of the fair market value of the property.

The OCC entered into a comprehensive consent order with National State Bank, Elizabeth, New Jersey. The order requires the bank, among other things, to augment its capital base, obtain OCC approval for each transaction with an affiliate, review its allowance for loan and lease losses, and revise its lending policies.

The OCC charged Edward Moede, a former director and trust officer of the Associated Bank, N.A., Neenah, Wisconsin, with violating 12 U.S.C. 375a and 12 CFR 15.4 by establishing a trust account at the bank under a fictitious name with his own social security number and causing the account to receive preferential extensions of credit. Moede allegedly used the account to secretly divert bank funds and trust customer funds to himself and invested those funds in the stock market. Moede was also charged with violating 12 CFR 9 when

he invested \$500,000 of trust customer funds in a company he knew or should have known was in poor financial condition and had a \$2.5 million lending relationship with the bank. In addition, the OCC alleged Moede did not acquire stock ownership on behalf of the trust customers at the time he invested their money, as the company was prohibited at the time from issuing stock to the public. The OCC also charged Moede with improperly diverting customer funds from trust accounts under his control to his personal checking account, and on one occasion, using trust customer funds to repay one of his personal loans. Moede stipulated to a full removal from banking.

The OCC alleged that Danny Buck Davidson, former executive vice president of the First National Bank of Carthage, Carthage, Texas, committed numerous improper acts during his tenure at the bank, including illegal overdrafts of his personal account at the bank and conflicts of interests involving loans to his relatives. Davidson filed for Chapter 7 bankruptcy relief and asserted that the CMP assessed against him was discharged since the OCC failed to file a claim with the bankruptcy trustee. The administrative law judge (ALJ) ruled in favor of the OCC, stating that CMPs are not dischargeable in bankruptcy. Davidson stipulated to a full removal from banking and paid a \$1,000 penalty.

The OCC charged Kenneth Terry, chief executive officer of the Metropolitan National Bank, Farmers Branch, Texas, and Patrick Sheehan, the bank's president and chief operating officer, with violations of 12 U.S.C. 371c. The alleged violations occurred between 1987 and 1988 when respondents made \$173,000 in unsecured loans to the bank's holding company. The holding company used the money to pay interest charges it owed on a loan. Respondents recorded the extensions of credit as reconciling items for two years, and neglected to charge the holding company interest, resulting in a loss to the bank of approximately \$40,000. Each respondent paid a penalty of \$4,000.

The OCC entered into a comprehensive consent order with Hibernia National Bank in Texas, Dallas, Texas. By entering into the consent order, the directors of the bank agreed to improve liquidity, review the bank's management, implement a written program to eliminate criticized assets, review and revise the bank's allowance for loan and lease loss methodology, maintain an adequate allowance, and review customers' accounts in accordance with bank dealer securities laws and regulations.

The Board of Governors of the Federal Reserve System issued orders of prohibition against A. Frederick Greenberg and Richard M. Greenberg, former officers, directors, and controlling shareholders of the First City

National Bank and Trust Company, New York, New York. The OCC brought prohibition actions against these individuals based upon their involvement in numerous extensions of credit to, or for the benefit of, themselves, bank affiliates, and their related interests. The respondents' have appealed the prohibition orders before the United States Court of Appeals for the Second Circuit.

Nicholas A. Karris, former chairman of the board of Belmont National Bank, Chicago, Illinois, entered into a consent removal with the OCC. The OCC alleged that Karris had violated 12 U.S.C. 84 by making loans totalling \$7.6 million to a business associate, when the bank's lending limit was \$1.7 million. The OCC also alleged that loans to Karris and his related interests had violated various laws and regulations limiting extensions of credit to executive officers.

The OCC received a favorable recommended decision from an ALJ in a cease and desist action brought against the Lakeside National Bank of Lake Charles, Lake Charles, Louisiana. The ALJ found that the OCC had supported every allegation in the notice of charges, and determined that a cease and desist order was appropriate. The cease and desist order covers almost all areas of the bank's operations including loan administration, the allowance for loan and lease losses, funds management, and capital. In addition, the ALJ recommended rescission of senior management employment contracts which contained generous termination provisions. The bank has exercised its right for review of the ALJ's recommended decision by the Comptroller of the Currency.

On October 1, 1991, the OCC served a notice of intention to prohibit further participation in banking against Mark D. Dunlap, chairman of the board, president, and chief executive officer of the New Richmond National Bank, New Richmond, Ohio. In addition, the OCC assessed a \$25,000 CMP against Mr. Dunlap. The OCC's actions were based primarily on allegations that Mr. Dunlap obtained preferential loans from the bank in violation of 12 U.S.C. 375a, and that he used approximately \$130,000 in bank funds for his personal benefit. Mr. Dunlap consented to the permanent prohibition from banking and to the payment of the \$25,000 CMP.

Hollis E. Adams, Loyd Burkdoll, Everett Lovell, Sue Sallee, and Glen Lamirand, current or former officers or directors of the Pawnee National Bank, Pawnee, Oklahoma, entered into stipulation and consent orders to pay CMPS relating to alleged lending limit violations and failure to file a criminal referral. Adams also agreed to a consent removal as part of the settlement. An additional CMP against another former officer is pending.

The OCC settled seven CMP actions and a prohibition action relating to the activities of Barry B. Spencer, the former president and chairman of the board of ResourceBank, N.A., Houston, Texas. The respondents agreed to pay more than \$105,000 in penalties to settle the matters, and Spencer consented to a prohibition from banking. The administrative actions cited filing and publication of allegedly inaccurate call reports and alleged violations of the bank's legal lending limit.

The OCC settled eight CMP actions relating to the activities of the former directors of Bankers Trust of Louisiana, N.A., Kenner, Louisiana. The respondents agreed to pay more than \$120,000 in penalties to settle the actions. The administrative actions were based on the filing and publication of allegedly inaccurate call reports and transactions with the bank's affiliates which allegedly exceeded limits imposed by law and which were allegedly not secured by the amount and type of collateral required by law.

The OCC entered into consent orders with the three affiliated Freedom Banks, N.A., in Dublin, Hamilton and Glen Rose, Texas, as well as personal consent orders with their former directors Ira Lee Brannan, David Brannan, Stephen Brannan, and Henry Ward for alleged affiliate violations arising from the payment of excessive fees and compensation. The four directors also agreed to pay a total of \$40,000 in CMPS and consented to lifetime removals from the banking industry.

The First National Bank of Jefferson Parish, Gretna, Louisiana, entered into a formal agreement with the OCC that required the bank to unwind a complex transaction whereby it issued a stock warrant to a creditor of the bank's holding company in exchange for the creditor's forgiveness of the debt. Under the terms of the transaction, the bank could forestall the creditor's exercising of the warrant by making certain "deferral payments" on a regular basis. The OCC had alleged that the transaction constituted an unsafe and unsound practice and the bank agreed to resolve it in a manner that is satisfactory to the OCC in the event that it is unable to unwind the transaction.

The Comptroller issued a \$100,000 final order of assessment against Alan W. Noyes, former chairman of the City National Bank of Sayre, Sayre, Oklahoma, for insider and and affiliate violations. The Federal Reserve Board also issued a final order of removal against Noyes based on the same violations as well as unsafe and unsound practices resulting in unauthorized trading on behalf of the bank, using the bank's accounts to make trades for himself and his son, and investing excessive amounts in corporate bonds. The orders were entered after Noyes failed to appear for an administrative hearing on the charges.

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Remarks of William P. Bowden, Jr., Chief Counsel, before the International Law Institute Capital Markets Conference, on National Banks in the United States, Moscow, Russia, November 11, 1991

Overview of Soviet Banking

Banking began in the Russian Empire in 1861, when the Tsarist government founded the State Bank, Gosbank. The new bank was active in dispensing credits and subsidies, especially in the agricultural sector. Private commercial banking began in 1864, through the creation of privately owned commercial banks. Many of these banks were wholly or partially foreign-owned. By the end of the 19th century, foreign ownership accounted for 74 percent of the private banking sector.

The Bolshevik government nationalized domestic and foreign banks operating in the country shortly after coming to power in the 1917 Revolution. The Soviet banking system that followed was largely the creation of the Soviet Gosbank, which was established in 1921. Gosbank combined the functions of a central bank and a clearing and credit bank with implementation of the government's economic policies. Gosbank's responsibilities also included regulating the money supply, issuing currency, holding gold and currency reserves, receiving taxes and payments due to the State, extending credit, disbursing government budget allocations, and maintaining a national savings network.

Until the 1980s the Soviet banking system was generally regarded as adequate for the demands of the Soviet economy. But the Soviet economy was deeply troubled. When Mikhail Gorbachev began the process of economic reform in the mid-1980s, making capital freely available was a high priority. A different and more efficient banking system was essential to the success of the economic reforms the government was implementing. After considerable debate, a new banking law was adopted in October 1987.

The October 1987 banking law provided for considerable expansion and restructuring of the Soviet banking system. A central point of the new law was the splitting of the State Bank into six banks, each serving a specialized area of the economy. The new law privatized the specialized state banks and gave them complete responsibility for management of their own activities. The new law also allowed the creation of new commercial and cooperative banks which must be registered

with the State Bank, as chief regulatory agency, and the Ministry of Finance. According to the World Bank, by year-end 1990 there were over 400 commercial and cooperative banks registered with Gosbank. By June 1991 that number exceeded 1,300. An estimated 1,700 additional banks were not registered with Gosbank. Together, the new commercial banks account for about 5 to 6 percent of total Soviet credit. The remainder is provided by the specialized banks.

In January 1991, the central government published a draft law on banking which attempted to clarify that the role of Gosbank as central bank was to control the money supply and to supervise the independent commercial banks, while the Bank for Foreign Economic Relations was the government's banker overseas, conducting foreign currency operations and securing trade credits. The new law also permitted commercial banks to offer a wider range of financial products and services. The Soviet law was supplemented later in 1991 by banking laws in Russia and the Ukraine.

As a result of the demise of the central government following the coup in August, 1991, the Soviet banking system, which was already undergoing massive changes, has been thrown into chaos. The uncertain political and economic environment is a critical problem. There is uncertainty about what products and services banks can offer the public. The future role of Gosbank and the other five specialized banks is unclear and branches of these banks have demanded increased local decision-making. Outdated technology, telecommunication and computer services, and the lack of expertise among bankers and supervisors also present problems. Against this background, a discussion of the evolution of the present U.S. banking system may provide useful insights for development of a more market-oriented and increasingly privatized banking system in Russia, Ukraine, and the other republics.

Evolution of the U.S. Banking System

The United States has one of the most complicated banking systems in the world. Commercial banks are chartered by both the federal government and by each of the 50 states. The chartering authorities examine and apply prudential controls to the banks for which they have responsibility. The Federal Reserve Board, the nation's central bank, conducts monetary policy and serves as a source of liquidity and lender of last resort for the banking system. The Federal Deposit Insurance

Today, an independent government agency, insures the deposits of banks and acts as receiver for those that fail. A number of other federal and state regulators like the Securities and Exchange Commission and state insurance commissioners, have overlapping functional jurisdiction over certain activities of U.S. banking institutions. Because banking and bank supervision as practiced today in the U.S. are the product of America's historical development, a brief discussion of that history is appropriate.

Banks, Credit, and the Money Supply

Before discussing this history, it is important to note that, despite the many changes in banking over the past two centuries, the core elements of the system have remained essentially the same. Banks provide a safe place for savers to put their money. They allocate credit to businesses, individuals, and governments. They provide an efficient, nationwide system for handling payments. They add to the money supply when their loans are made through the use of checking accounts, and are therefore important to the central bank's implementation of monetary policy for the nation's economy.

These functions can be illustrated by a simple example. When a company borrows \$1,000,000 from its bank, the company gives the bank a promissory note and, in return, receives the borrowed funds, usually in the form of a deposit or accounting credit to its checking account. The bank now has an additional \$1,000,000 asset, the note, and an additional \$1,000,000 liability, the obligation to honor the amount deposited to the account. The new \$1,000,000 checking account is money that the bank has added to the money supply.

A bank's ability to create money is limited by reserve requirements and minimum capital standards. A bank that takes a deposit of \$1,000,000 does not have to keep the entire amount in its vault, since it is unlikely that all of the bank's depositors will withdraw their money at the same time. It can lend most of the money to borrowers, but it must retain a certain percentage in cash or its equivalent. This retained amount is the bank's "reserve" of readily available funds to pay depositors when they request withdrawals. A bank's reserve allows it to cover withdrawals without the need to liquidate its longer-term loan assets which could potentially cause the bank to fail. Minimum capital requirements work similarly to protect against failure by providing a cushion against loan defaults and other losses.

Early History of U.S. Banking

Now turn to the historical evolution of the U.S. banking system. In the beginning of the Republic, notes

issued by private parties, mostly state banks, were the only paper currency. In theory the bank notes would be used as money in payment of debts. The notes were supposedly redeemable for hard currency, called "specie," which then consisted of gold and silver. But because creditors did not always have sufficient confidence that banks would be able to redeem their notes in a timely manner, creditors were frequently reluctant to accept bank notes in satisfaction of debts. Notes of only the most reputable banks circulated at face value, while notes from rural or less well-known banks circulated at varying discounts that reflected uncertainty about their value.

In an effort to establish a stable system of paper money, the federal government created the first bank of the United States in 1791, two years after the adoption of the nation's Constitution. The bank was owned by the government and by private investors who provided capital. The bank established branches in all the major cities of the country. It acted as a depository and collector of federal government funds, conducted private banking transactions, and regulated the amount of paper currency in circulation in the form of state bank notes. Although the bank provided a stabilizing influence on the nation's decentralized banking system, it aroused opposition from the state banks who objected to the competition and to the limitations imposed on their own issuance of notes. More importantly, the general public and most political leaders, mistrusted and feared a powerful, central banking institution, and preferred local control of credit. Congress therefore decided in 1811 not to renew the bank's charter. The second Bank of the United States, a successor institution chartered in 1816, was similarly controversial and suffered the same fate in 1832.

Creation of National Banks

From the demise of the second Bank of the United States in 1832 until the Civil War three decades later, U.S. banking consisted exclusively of state-chartered banks without any scheme of central government regulation or uniform currency. During the Civil War the federal government again became involved with banking, this time permanently. The National Currency Act of 1863, revised and reenacted a year later as the National Bank Act, established a new type of financial institutions — national banks. Although called "national" banks because they received their charters from the federal government, each such bank was privately owned and operated at one location in a single town or city.

This statute established the Office of the Comptroller of the Currency (OCC) as a bureau within the U.S. Treasury Department to charter national banks and regulate their activities. The law also provided for a new, uniform cur-

rency in the form of national bank notes. Before issuing the notes to customers, national banks had to purchase a specified amount of government bonds and pledge them with the Treasury Department. This assured public confidence in the new currency by keeping each bank's outstanding notes proportional to its capital, and also helped to raise money for the government. As an additional confidence-building measure, each national bank had to keep reserves against both its deposits and its notes, either in the form of cash in its own vaults or as a balance maintained with another national bank in a money center, most notably New York City.

Some state-chartered banks converted to national charters, particularly after Congress imposed a prohibitive tax on state bank note issuances. Had the nature of banking not changed at this time, state-chartered banks would probably have gone out of existence. Instead, they survived and even prospered because commercial bank loans in the form of bank notes increasingly came to be replaced by demand deposit liabilities, or "checks," incurred by banks on behalf of their customers. Under the new practice, banks created "money" for their borrowers not by issuing bank notes but by creating deposit accounts which the borrower could draw on by writing checks payable at the bank. In effect, the federal tax on state bank note issuances forced state bank lending activity into this form of checking account.

The national banks and the state banks competed against each other in every state, supervised by the OCC and by the various state banking departments respectively. This was the dual banking system in its purest form, with no federal supervision of the state banks and no central bank to conduct monetary policy, issue currency or provide backup support to the commercial banking industry.

Creation of the Federal Reserve System

The Federal Reserve Act of 1913, the next major piece of U.S. banking legislation, addressed three principal weaknesses in the banking system. First, no means existed for quickly presenting, collecting, or settling checks. Sometimes a merchant who accepted a check drawn on an out-of-town bank had to wait weeks or months before learning whether or not the check had finally been honored.

Second, the nation's currency supply — national bank notes tied to the amount of federal government bonds in circulation — was inflexible. When business conditions were good, the economy needed more currency (i.e., national bank notes) for use in payment of the growing volume of transactions. However, the opposite tended to occur because the greater tax revenues the

government received during prosperous times caused it to redeem bonds, thereby reducing its outstanding debt and interest payments, with the result that national banks had to decrease the outstanding amount of their notes.

The third weakness was the lack of a central mechanism to provide liquidity to the banking system. In addition to cash on hand, banks maintained reserve balances with other institutions to cover a percentage of their deposit and note liabilities. "City banks" served as depositories of reserve balances for smaller "country banks." The city banks in turn used larger, stronger banks as their own reserve depositories, with banks in New York City at the apex, receiving funds from the entire country. Reserves on deposit at the various banks earned interest, and the New York banks used the reserve balances placed with them to make short-term loans to securities brokers and other business firms. When banks outside New York City needed large amounts of currency, they drew down their reserves. The New York banks then called in their loans and money panics sometimes resulted.

The Federal Reserve Act of 1913 established twelve Federal Reserve Banks throughout the country, presided over by the Board of Governors of the Federal Reserve System in Washington. National banks were required to become members of the Federal Reserve System; state banks could do so at their option. These member banks could send out-of-town checks directly to the local Federal Reserve Bank for collection, and thereafter the Fed would present the checks to the individual banks on which they were drawn.

To solve the problem of an inflexible money supply tied to the outstanding amount of government bonds, the Federal Reserve Act gave the Fed authority to issue notes without having them backed by government obligations. National banks stopped issuing their own notes after passage of the act. Today, Federal Reserve notes are the nation's basic currency.

The Federal Reserve System provided liquidity to the banking system in several ways. Member banks could now maintain their reserve balances with the local Federal Reserve Bank in their district, so that there was a pool of reserve funds everywhere rather than a concentration in one area. The Fed could change the percentage of required reserves to influence the aggregate level of lending by the banking system. And the Fed could make short-term advances of funds to member banks to cover seasonal shortages or to respond to more systemic needs.

Federal Deposit Insurance

The Great Depression in the 1930s led to the addition of another major element of the current U.S. banking

~~National~~ Federal Deposit Insurance The problems that led to the collapse of the U.S. banking system in the Great Depression were already evident in the 1920s when, in a rapidly growing economy, banks proliferated. Most were small banks located in a single town or city, utterly dependent on local business or agricultural conditions for success. When a bank's health became suspect, it could fail quickly as nervous depositors rushed to withdraw their funds.

This volatility proved disastrous in the Great Depression. Many borrowers defaulted on their loans, leaving banks without funds to meet their obligations to depositors. Panic among depositors became widespread, and thousands of banks failed. Even relatively sound banks sometimes suffered, or even collapsed, as crowds of depositors, on the basis of rumors, suddenly showed up at the bank's doors to withdraw their money.

Congress addressed Depression-related problems with sweeping legislative proposals, the "New Deal," which included the Banking Act of 1933. This act, popularly known as the Glass-Steagall Act after its main sponsors, had two principal components: the creation of the Federal Deposit Insurance Corporation (FDIC), and the limitation of certain securities activities of commercial banks, which were thought to have contributed to the nation's financial debacle. The FDIC restored public confidence in banks by guaranteeing the accounts of depositors, and thus removed the principal cause of the ruinous bank runs of the time. All Federal Reserve member banks, whether nationally or state-chartered, were required to become FDIC-insured banks. State banks not belonging to the Federal Reserve System could voluntarily become FDIC-insured if they satisfied certain standards.

The Banking Act of 1933 restored stability to the banking system in other ways. For example, it imposed new restrictions on the issuance of bank charters and regulated the amount of interest banks could pay on their deposits. Banks could not pay interest on checking accounts, and could pay only specified, low rates on their time and savings deposits. These interest rate controls for the next four decades protected banks from price competition for deposits and assured them a low cost of funds for their operations. Finally, the act also prohibited bank dealing and underwriting in corporate securities and local government bonds, prohibited securities firms from taking deposits, and prohibited interlocking relationships between banks and securities firms, in effect mandating today's separation between the commercial banking and the investment banking industries.

U.S. Banking Today

~~The~~ Federal Reserve System today is of course much-changed from the way it operated in 1913. Modern

telecommunications and data processing technology have rendered irrelevant the location of the institutions on whom checks are drawn or where reserve balances are maintained. Today all depository institutions — not just member banks but all commercial banks, savings banks, savings and loan associations, and credit unions — maintain reserves pursuant to Fed-prescribed levels and have access to Fed loans. The Fed conducts monetary policy through open market transactions, reserve requirements, and the discount rate on its loans.

As the Federal Reserve System is substantially different and broader in scope now than it was in 1913, so too some of the protective walls placed around banks by the Banking Act of 1933 are gone or in the process of change. For example, the thrift depository institutions mentioned above now offer checking accounts, ending the banks' monopoly of this function. Several other factors coalesced in the 1970s to require the removal of deposit interest rate controls — inflation, rising interest rates in the economy, and the ability of nonbanking firms through modern technology and advanced marketing techniques to access savers' funds and invest them in safe, liquid government and corporate obligations. And the separation between commercial and investment banking, never complete even by the terms of the 1933 Banking Act, is eroding.

The points to highlight about the U.S. banking system are that it is a product of history, not design; it represents a set of responses to individual economic and banking crises; its development has been influenced by the fact that the United States is a nation where political power is shared among the federal government and numerous state governments; its development has also been influenced by the American people's distrust of concentrations of economic power; and finally, each solution has tended to create new problems later.

Federal Regulation of Depository Institutions

In addition to the OCC, which regulates national banks, two other federal agencies in the U.S. regulate banks. In cooperation with the various state banking departments, the Fed and the FDIC regulate the state member banks and the state nonmember insured banks respectively. Although the OCC focuses on supervisory policies and practices relating to national banks, the supervisory policies and practices of all three agencies, as well as those of the Office of Thrift Supervision, which regulates nationally chartered thrift institutions, are substantially similar.

The OCC and National Banks

Governments must carefully supervise banks to prevent corruption, instability, and financial panics, and

yet must avoid excessive rigidity, which can stifle competition and block economic growth. This is a constantly changing process in which government regulators must be flexible in adapting to the needs of a rapidly changing financial marketplace. However, there are certain basic regulatory functions that have proven essential to fostering the growth of a sound banking system. A good regulator must require adequate capitalization of banks, supervise and limit banks' risk-taking, and prevent insider abuses. In addition, Congress has mandated that certain national social policies be implemented through banking organizations.

Capital

A bank's capital provides a "cushion" that allows the bank to survive loan or investment losses without becoming insolvent. At one time, capital requirements were measured against all of a bank's assets without regard to the composition of those assets. A bank with a risky portfolio of loans and investments could have had the same capital requirement as a bank with only very safe investments and loans. This has recently changed. As a result of the Basle Accords, bank regulators in many countries, including the U.S., now measure the adequacy of a bank's capital by calculating, for each bank, the bank's "risk-based capital ratio." The OCC and other banking supervisors in the U.S. have devised a complex and detailed set of rules specifying how a bank's risk-based capital ratio is calculated. Despite the complexity of the risk-based capital rules, the basic concept is simple: the amount of capital a bank needs depends on the level of risk in its on-balance sheet loans and investments, as well as certain off-balance sheet items such as standby letters of credit.

Management of Risk

Risk is a necessary part of banking. The government cannot completely insulate banks against risk because incurring risks is part of any business enterprise. However, the government has a strong interest in maintaining a safe and sound banking system, and cannot simply allow banks to take risks without any supervision at all. Thus, without suffocating banks' ability to compete in the marketplace, regulators must prevent excessive speculation which could impair banks' stability.

A principal strategy for management of risk in banking is diversification. If a bank takes reasonable risks in many different economic areas, the likelihood of serious loss is much less than if the bank risks everything on a few companies or on borrowers in just one industry. Some investments, such as corporate stock, real estate, and high-risk bonds, are deemed too dangerous for banks to invest in at all. But other assets, which

present a more moderate level of risk, are permitted subject to a requirement that banks must diversify their holdings of these assets.

U.S. banking law specifically requires diversification in the limitation on loans to one borrower and in the limitations on purchases of corporate bonds. The limitation on loans to one borrower, called the "lending limit," restricts the amount of money a national bank can lend to any particular borrower to 15 percent of the bank's capital and surplus. A borrower cannot evade the limit by having others take out loans for him. The limitation on purchases of bonds is similar. A national bank may invest in investment grade bonds, that is, bonds that are of high quality and readily marketable, but may not own bonds of one company in an amount that exceeds 10 percent of the bank's capital and surplus.

In addition to these specific statutory requirements, the OCC encourages banks to diversify their portfolios of loans and other assets so that a downturn in a particular region or industry will not cripple banks dependent on that region or industry.

Insider Abuse

Like regulation of risk, prevention of insider abuse requires a careful balancing. At one extreme, the government could prevent all abuse by strangling the industry with excessive controls. Conversely, if the government is not reasonably vigilant, abusive transactions with bank insiders can cause great harm.

The key indicator of insider abuse is preferential treatment. U.S. laws focus on two areas in which preferential treatment is specifically prohibited: lending to insiders and financial dealings with the principal shareholders of a bank. Preferential loans to a bank's officers, directors, and shareholders can very quickly destroy a bank's health. When an insider is able to obtain a loan without pledging the collateral that another borrower would be required to pledge, or without showing the degree of creditworthiness that would be demanded of an outside borrower, the insider's borrowings place the bank at risk because the likelihood of default on his loans becomes much higher.

Under U.S. law, all insider loans must be made on the same terms as loans to other bank customers. To facilitate supervision of insider lending, banks are required to keep records of such transactions when they exceed certain minimum amounts. Regulators can then review the records to ensure that insider lending is fair, not excessive in amount, and follows sound loan underwriting standards.

Another form of insider abuse is preferential transactions with a bank's "affiliates" — its principal share-

holders or the holding company that owns it and other subsidiaries of the holding company. In these situations the danger to the bank comes from the fact that the entity that controls the bank stands to benefit from transactions that are unfair to the bank. For example, a bank's holding company might purchase assets of the bank at unusually low prices, or the holding company might require the bank to guarantee the holding company's debts. Like insider lending, transactions between a bank and its affiliates are generally required under U.S. law to be on an arm's length basis.

Banks as Instruments of Social Policy

Congress has extended bank regulation to issues other than the safety and soundness of banks, and has increasingly come to rely on banks and bank regulators as instruments of social policy. For example, the Equal Credit Opportunity Act requires banks to provide credit without regard to the race, color, religion, national origin, sex, marital status, or age of the applicant. The Community Reinvestment Act (CRA) is intended to encourage banks to invest in their communities by making loans to local borrowers, including disadvantaged borrowers. Under the CRA, agencies are required, when considering certain applications from banks, to take into account the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods.

Supervision of National Banks

The process of regulating banks involves chartering new banks, examining existing banks, taking enforcement actions against banks and officers and directors when necessary, and closing banks that have become insolvent.

Chartering and Examination

The OCC's supervisory duties with respect to a particular bank begin with the application for a charter. A group of investors wishing to form a bank must show that they have adequate capital as well as the management ability to run a bank. In deciding whether to issue a charter for a group of investors, the OCC will also take into account whether the proposed location for the bank can support a new bank.

After a bank is established, the OCC supervises it with a combination of off-site and scheduled on-site examinations. Off-site examination primarily involves analysis of a bank's financial reports. The OCC analyzes the bank's condition and also compares its performance with other banks in a peer group with a view to identifying anomalies that may be signs of problems at the bank. Computers play a major role in this work.

Although off-site examination is one way to detect the early signs of trouble at a bank, visits to banks have always been important to U.S. bank supervisors and, in spite of increased remote analysis, on-site presence is still the backbone of bank supervision. On-site examinations may be comprehensive in scope or targeted to specific areas of concern. Resident examiners have been assigned to the largest banks in order to maintain a continuous supervisory presence.

If examiners identify a bank as having significant weaknesses, the OCC may place the bank under "special supervision." Such weaknesses might include an unusual amount of low quality assets; insufficient capital; unwarranted loans to officers, directors, or stockholders; or inefficient, or possibly dishonest, management.

Special supervision generally requires that positive steps be taken to improve the condition of the bank or to refrain from specific acts. This is often accomplished through discussions with a bank's board of directors, who generally share a sincere desire to restore the bank to good condition.

Enforcement Actions

The U.S. Congress has given bank regulators extensive authority to require remedial actions to correct specific problems that have been identified at any particular bank. Regulators can sue bank directors in federal court for statutory violations or revoke a bank's charter, but usually less severe administrative actions are used. Administrative actions range in severity from letters and agreements to cease and desist orders and civil money penalties. Additionally, regulators may remove a bank officer or director for particularly serious misconduct.

Bank Failures

Bank supervisors try in every way to assist troubled banks and to work with management to restore them to sound condition. The results are usually successful and most banks recover.

Unsuccessful banks are allowed to fail. This differs from many countries which directly or effectively nationalize the banking system. Entry into the banking system in the U.S. is comparatively easy, but success depends on performance. If a bank becomes illiquid or insolvent, it may be merged with or sold to another stronger bank. If this cannot be arranged the regulators will close the bank and liquidate its assets. Deposit insurance protects depositors against losses when a bank fails, but the shareholders lose their investment, as would the owners of any business that fails. Uninsured creditors of banks frequently lose money on some or all of their

claims as well, since it is only the insured depositors who are guaranteed protection by the FDIC.

Current Proposals for Change in the U.S. Banking System

Existing Geographic and Product Limitations

This comprehensive, complicated scheme for supervision of banks imposes substantial costs and burdens on U.S. banks. While the structure could be made simpler, supervision must be comprehensive because of the special role banks play in the economy. A certain amount of regulatory burden is therefore considered to be unfortunate but necessary. However, other features of U.S. bank regulation are thought by many to place unduly heavy burdens on banks and may not be necessary.

Banks in the U.S. face both geographic and product constraints. The geographic constraints generally prohibit banks from branching across state lines. For example, a New York bank can open offices in New York, but not in the adjoining states of Connecticut or New Jersey. In addition, because banking laws specifically define the powers available to banks, restraints exist against providing certain products. Examples include certain securities products and services and many types of insurance products.

For a time banks were allowed to escape these geographical and product restraints by forming holding companies. The holding company could own banks in different states, and could engage in nonbanking businesses either directly or through non-banking subsidiaries. In 1956, Congress blocked this avenue for expansion by enacting the Bank Holding Company Act, which extended the restraints on banks to bank holding companies, with certain exceptions. The act prohibits a bank holding company in one state from owning a bank in any other state unless the other state expressly permits it to enter, and also limits bank holding companies to conducting activities or owning businesses that are "closely related to banking."

The Present Competitive Environment

Many in government and in the private sector question the wisdom of maintaining a fragmented and compartmentalized banking system. Banks in virtually all other developed economies can operate nationwide and can offer a broader range of financial products and services than U.S. banks. Many non-U.S. banks operate in the U.S. through branches and subsidiaries and currently account for about 25 percent of all large business financing here. While these banks face many of the same constraints in the U.S. as U.S. banks do,

the foreign banks nevertheless have advantages by virtue of their ability to be more complete participants in the banking and financial markets of their home countries and internationally

In addition to the foreign banks, U.S. banks must compete domestically with thousands of nonbanking firms which offer financial services. Even the creation of money through checking accounts and operation of the nation's payment mechanism are no longer the special domain of commercial banks. Other federally insured depository institutions, such as savings and loan associations and credit unions, accept deposits and make loans. Investment banks not only trade in and underwrite corporate stock and bond issuances, they also provide short-term financing to business and government. Investment companies collect savings and investment funds from individuals, pool the money and invest it in business and government obligations and corporate stock. Insurance firms provide insurance protection on the lives, health, or property of people, collect money in the form of premiums for this service, and make large loans and investments. Manufacturers and retailers sell on credit and issue credit cards to consumers. Finance companies make loans to businesses and individuals. The list could go on. These competitors are generally not constrained in their geographical expansion and can offer forms of financial intermediation which banks cannot by law provide.

The point is not that competition among financial services providers is bad — just the opposite. What needs to be done, in the opinion of many experts, is not to place limitations on nonbanking firms but instead to remove the shackles from banks so they can compete more effectively in the rapidly changing marketplace for financial services, operating across state lines at any location they choose, and offering a greater range of products and services.

Geographic Expansion

Currently, when banks seek to expand into other states, they are only able to do so to a very limited extent, and must employ elaborate, cumbersome corporate structures in order to take advantage of the limited opportunities available to them. This problem significantly hampers efficiency, particularly among the largest U.S. banking organizations with nationwide operations.

It also greatly increases the dependence of U.S. banks on the health of their artificially restricted local markets. For example, Texas banks suffered greatly when the oil industry, which dominates the Texas economy, went into a serious decline in the 1980s because of sharply reduced oil prices. If those banks had been able to operate in other states, the economic problems in Texas

~~might not have been as~~ as damaging to the banks, since the banks could have diversified their portfolios and offset their losses in Texas with more profitable operations in other states. As it was, Texas banks were devastated, many failed, and the bank failures worsened the already severe problems in the Texas economy.

Some have objected that nationwide banking would lead to the domination of the U.S. banking market by a few huge banks. This, it has been argued, could result in a dangerous concentration of economic power in a few hands, and would force Americans to deal with large, remote and unresponsive banks. Most experts believe, however, that this result is unlikely. Although larger banks would undoubtedly emerge, there are thousands of commercial banks and thrift institutions in the U.S., serving every community, and there appears to be ample room for consolidation without loss of competition. And in a free market economy, like that of the U.S., individual customers do not have to deal with an institution that they do not like. If a large bank becomes remote and unresponsive, customers will take their business to its competitors, or even create new institutions to provide the services they need. In fact, nationwide banking is actually likely to increase competition, since banks in a particular state will no longer be artificially protected against competition from banks from other states.

Product Expansion

Limitations on the products and services that banks may offer have also impeded the flexibility of the U.S. banking industry to develop products which are responsive to the changing needs of their customers in the marketplace. These limitations not only hurt the commercial banking industry, they have also resulted in the proliferation of many new providers of financial services, have created inefficiencies in the movement of savings and investments from suppliers to users of funds, and have perpetuated unnecessary barriers to competition in the financial services industry.

The debate about bank powers always begins with the issue of risk. Although this is understandable and appropriate, there are several points about risk to keep in mind. First, maintenance of the status quo endangers the safety and soundness of the banking system because banks are being forced into increasingly risky transactions as their prime corporate customers rely on other avenues for finance and competition from other financial intermediaries offering traditional bank products, such as consumer home mortgages and credit card services, dries up other existing sources of bank profit. Second, some new activities are clearly ~~safe~~. For example, selling insurance or securities

products as agent or broker would generate commission income without placing any bank assets at risk. In fact, many traditional banking activities, such as making long-term commercial loans and participation in foreign exchange markets, already entail more risk than many of the products and services which are currently impermissible.

Aside from the question of risk, some have suggested that allowing banks to enter new lines of business will engender conflicts of interest or lead to an undue concentration of economic power. However, these concerns are predictably exaggerated by those who would prefer to avoid increased competition from commercial banks. Potential conflicts of interest inherent in the banking business are already effectively addressed through existing regulation. Accordingly, total prohibition of new activities that might give rise to similar conflicts does not appear to be a necessary or appropriate government response. For example, bank trust departments administer large amounts of money. There might be temptations to sell bank assets to the trust department, or invest trust funds in bank-related projects, on terms favorable to the bank. Because banks have a fiduciary obligation to administer trust funds prudently and exclusively in the interest of trust settlors and beneficiaries, banks and bank regulatory authorities have been able to minimize the risk of actual conflicts of interest. Furthermore, securities firms operate under a panoply of securities laws administered primarily by the Securities and Exchange Commission which are similarly designed to prevent fraud, self-dealing, and abusive transactions at the expense of the securities markets and investors. Banking organizations entering these businesses would be required to operate under the same rules.

Most experts therefore believe that further reductions in existing product and geographic restrictions would not only help commercial banks by providing them with new opportunities for diversification but would also help consumers because of the increased competition that would result and would make U.S. financial services institutions more competitive in world markets.

Conclusion

Considering that the Soviet economy is one of the world's largest and that it is shifting rapidly to a more market-oriented system, commercial banks are likely to play an increasingly important role. The demise of the central government greatly complicates the orderly development of the successor states' banking sector into a more market-oriented, privatized system.

In certain ways the current Russian and Ukrainian banking environments resemble the nineteenth century

U.S. rejection of a strong centralized banking system. In many ways the demise of the entire central government itself makes the two situations entirely different. The republics' banking systems are undergoing extraordinary changes and will continue to do so for the foreseeable future. But whatever system emerges, it will have to come to grips with many of the issues the U.S. banking system has faced over the past 200 years. The

system that emerges will almost certainly be different, but the U.S. system provides useful models for the republics to accept, reject, or modify as they work toward the future.*

**Appendices have been omitted. Copies may be obtained from the Communications Division in Washington, D C*

Statement of Randall J. Miller, Director of Licensing Policy and Systems, before the Subcommittee on Treasury, Postal Service and General Government, Senate Committee on Appropriations on the role of the OCC in approving mergers that involve national banks, Washington, D.C., December 4, 1991

Mr. Chairman and members of the subcommittee, I am here this morning to discuss the effect of mergers on the banking industry, and the role of the Office of the Comptroller of the Currency (OCC) in approving mergers that involve national banks. As you know, my obligation to protect proprietary information precludes my discussing the specifics of any particular merger. My statement will begin by summarizing current trends towards consolidation in the banking industry. I will then outline for the subcommittee the procedures the OCC follows in reviewing merger applications, and the factors that we consider. I will also discuss the effects that bank mergers have on the safety and soundness of the banking industry and on the availability of credit and other banking services to the public.

Mergers that concentrate banking assets in a smaller number of financial institutions raise obvious and appropriate concerns about maintaining competition in financial markets, and ensuring the availability of credit and other banking services to all members of the banking public. For that reason, proposed bank mergers are reviewed by the OCC and other federal banking agencies (the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision), and by the Antitrust Division of the Department of Justice, to ensure that the resulting bank will have sufficient capital and management resources to operate in a safe and sound manner, that it will serve public convenience and needs, and that the merger will not substantially lessen competition. The banking agencies also consider the merging banks' record of performance under the Community Reinvestment Act (CRA).

While it is reasonable to ask at what point mergers could begin to result in undue concentrations of economic power, we should keep in mind that the United States currently has roughly ten times as many commercial banks per capita as the rest of the G-10 nations combined. (The United States has 12,000 commercial banks; far more than the roughly 600 in the United Kingdom or the 150 in Japan.) Although that number is shrinking as a result of merger activity and other factors, the level of concentration is far less than in any other major industrialized country. Nevertheless, we recognize that regulators must continue to be vigilant about antitrust concerns, particularly as they relate to local markets.

Trends in Bank Mergers

The banking industry has undergone substantial changes in recent years, as evolution in the markets for financial services has eroded the industry's traditional lines of business. Technological advances have changed the way financial services are delivered to businesses and households, and exposed banks to new sources of competition. The blue-chip corporate borrowers who previously were an important source of bank business and profits have developed other funding sources, such as the market for commercial paper. Record numbers of bank failures and chronically weak earnings — averaging less than eight percent return on equity for the past five years — have placed enormous pressure on banks to improve the efficiency of their operations. Banks are attempting to reorganize their business to compete more effectively in today's markets. One notable development has been consolidation. Merger activity, involving banks of all sizes, is resulting in a banking system that has fewer banks, a higher concentration of assets in large banks and multibank holding companies, and an increasing number of bank holding companies operating banks in more than one state.

Market-Extension Mergers

One reason for bank mergers is the desire to diversify asset portfolios and funding sources more fully, cushioning the bank against local economic shocks. As the benefits of geographic expansion have become more apparent, many states have repealed unit-banking laws or relaxed other restrictions on branching. Similarly, interstate banking compacts that went into effect during the latter half of the 1980s have permitted banking companies to pursue the benefits of geographic expansion through interstate acquisitions. Banking companies will continue to expand geographically, as they pursue opportunities opened up by recent state laws authorizing interstate banking, some of which are only now taking effect; and as states that have not already done so pass similar laws.

"In-Market" Mergers

A second type of merger involves banks operating in the same or substantially overlapping markets in

Market mergers are designed to reduce costs by consolidating overlapping branch networks, combining expensive data processing and other "back-office" operations and achieving other economies of scale. Such cost-saving measures have gained importance in recent years as increased competition from other sectors of the financial services market has squeezed profits at commercial banks. We can expect to see more proposals for in-market mergers.

OCC Review of Merger Applications

Mergers reflect the judgment of bank managers and shareholders that two banks can operate more efficiently and more profitably as a single entity. But that does not mean that every proposed merger is intelligently structured, or that every merger application will be approved by the OCC. The prospects for a successful merger depend, among other factors, on the presence of a sound operating plan that specifies how the merging banks will integrate their businesses, their systems, and their controls.

All mergers in which the resulting bank is a national bank are subject to approval by the OCC. This includes mergers of banks and thrifts into national banks, consolidations of banks and thrifts with national banks where the national bank is the resulting institution, and purchase and assumption transactions in which national banks acquire assets and assume liabilities of other banks and thrifts.

The process of OCC review is initiated when a national bank applies to the OCC for approval of a merger. The OCC sends copies of the application to the Department of Justice, the FDIC, and the Federal Reserve for their views on the competitive effects of the proposed merger. Those agencies generally have 30 days to review and comment on the application.

A national bank that is party to a merger must also announce its intention to merge in a general-circulation newspaper that is published in the city in which the bank's main office is located. The notice must be published three times at approximately two week intervals spanning the OCC's 30-day comment period. In addition to providing information on the structure of the proposed merger, the publication provides interested parties the opportunity to comment to the OCC on the merger.

The OCC's role in mergers of banking organizations varies depending on the structure of the transaction. If a transaction is a merger among two or more unaffiliated banks, and the resulting bank is a national bank, the OCC is responsible for assessing the effect of the transaction on competition and for approving

the transaction. However, a detailed, competitive analysis is generally not conducted for mergers of affiliated banks, because they rarely have any effect on competition. For example, a transaction in which a multibank holding company merges two or more subsidiary unit banks to form a single bank with branches normally does not reduce either the number of banking outlets serving the public or the degree of competition in any market, because the banks involved are already commonly owned prior to their merger.

If the transaction is a merger of two or more holding companies, the Federal Reserve is responsible for reviewing the merger. The Federal Reserve solicits the OCC's comments on any merger of holding companies that have national bank subsidiaries. In most of these instances, our response is directed primarily at supervisory concerns, since we know that competitive effects are being examined by the Federal Reserve and the Justice Department.

Many mergers involve both types of transaction: a merger of two or more bank holding companies accompanied by a merger of their subsidiary banks. In such instances, the competitive aspects of the merger are considered by the Federal Reserve and the Justice Department in the course of their review of the holding company merger — a review in which, as I pointed out, the OCC has a consulting role. The OCC, in considering the competitive effects of the holding company merger, relies on the analysis conducted by the Federal Reserve and on the views provided by the Justice Department. When the OCC reviews the merger of the subsidiary banks — a corporate reorganization that has no competitive effects — we focus primarily on supervisory concerns.

OCC Merger Policies

In acting on mergers, the OCC strives to preserve the soundness of the national banking system and to promote market structures conducive to competition. Normally, the OCC will approve a merger that would not have a substantially adverse effect on competition and would be beneficial to the merging banks and to the public.

In determining the effects of a proposed merger on competition, the OCC first identifies the relevant geographic market. As a general rule, the OCC begins with the area within which most of the bank's customers — including individuals and businesses — reside, and within which the effect of the merger on competition will be most direct and immediate.

The OCC considers both the structure of the market and the intensity of competition within it. The OCC's analysis

identifies the competitors in a market and examines statistical measures of market concentration such as Herfindahl indices. The Department of Justice guidelines on competition are a useful standard of comparison for this analysis. Indeed, the OCC offers a simplified application process to those applicants who can demonstrate that they clearly fall within the Department of Justice's guidelines for mergers that do not have significant adverse competitive effects. However, for other applicants, the OCC analysis of competition does not end with the assessment of market statistics. Several additional factors may influence the assessment of competition including, for example, the size of the market, the number and types of competitors in the market (including nonbank and non-local competitors), the variety of services offered by the merged institution, the pricing of those services, advertising, office hours, and banking innovations.

The OCC believes mergers that promote competition generally improve the prospects for satisfying convenience and needs in affected markets. For example, a merger can provide additional locations at which the customers of each of the merging banks can conduct their business. A merger can also make it possible for the resulting bank to provide services — such as credit counseling, fiduciary, data processing, or international banking services — that one or both of the merging banks might have been unable to offer individually. Finally, a merger raises the lending limit of the resulting bank, thereby increasing its lending opportunities in the communities it serves.

The Bank Merger Act provides that a merger that has substantially adverse competitive effects may still be approved if the adverse competitive effects are clearly outweighed by the probable effects of the merger on improved customer convenience and needs. Such circumstances may arise, for example, in the resolution of failing banks, if the closure of a bank would leave some communities without banking services.

As provided by the CRA, the OCC considers the record of performance of merging banks in helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods. This assessment is based on information gathered in CRA compliance examinations conducted by the OCC and other banking agencies, from correspondence received from bank customers, and from comments provided by interested parties during the 30-day public comment period. If CRA performance needs improvement or is unsatisfactory, the merger application may be denied, or it may be approved subject to conditions requiring correction of weaknesses in performance. CRA conditions generally must be met before the merger takes place.

The OCC carefully analyzes the current and prospective condition of merging banks. When national banks apply to merge with state-chartered banks or thrifts, the OCC may conduct an examination of those institutions before acting on the merger. In general, the OCC requires that the resulting banks have satisfactory capital, management, and earnings prospects before approving a merger. Although we may grant conditional approval in some cases based on satisfactory resolution of supervisory problems noted by the OCC or commitments to increase capital, we will not grant final approval until these matters are resolved.

Supervision of Merged Banks

Several changes made within the past year in the OCC's supervisory practices, designed to improve our supervision of all banks, will also help to ensure that large banks created by mergers are supervised properly.

- The OCC's "large bank program" will provide a mechanism for coordinating the supervision of large regional and multinational banks to ensure that policies are applied consistently and resources are allocated effectively across the OCC's districts.
- The OCC has established a regional bank director and regional bank analysts in each district office. Their responsibilities include monitoring examination activities in the regional banks located within their district, ensuring that identified deficiencies in the banks are addressed expeditiously, recommending enforcement action as appropriate, and analyzing the results of the examinations to determine any potential for systemwide effects.
- The OCC has also designated consumer/Community Reinvestment Act/retail banking experts in each district. These examiners spend most of their time examining the performance of multinational and regional banks in these areas.
- The OCC is participating in a pilot program with the Federal Reserve, the FDIC, and appropriate state banking agencies to coordinate the supervision of large regional banking companies that have both national and state-chartered bank subsidiaries. This program represents the first time that primary state and federal regulators have conducted simultaneous, coordinated reviews of the same banking companies.

- The OCC's practice of assigning full-time resident examiners to the largest U.S. banks, previously limited to multinational banks, has been expanded to cover all banks with over \$10 billion in assets

Economic Effects of Mergers

The review of merger applications that I have described focuses on the effects that a particular merger will have on a particular affected market. The OCC is also concerned with the cumulative effects of bank mergers on both the banking industry and the economy as a whole.

Effects of Bank Mergers on Bank Safety and Soundness

We believe that intelligently structured consolidation can improve the safety and soundness of the banking industry. In-market mergers can improve the operating efficiency of the merging banks, while mergers that enable banks to extend the geographic scope of their operations can reduce their exposure to local or regional economic shocks. Resulting increases in operating profits and greater geographic diversification should enhance safety and soundness, by enabling banks to build more capital and to better withstand economic downturns.

The OCC recognizes that measures designed to increase operating efficiency may impose hardships on bank employees. Reductions in overhead expenses and elimination of duplicative operations can involve layoffs and reassessments, and mergers can also require employees to make painful adjustments to new procedures and a new corporate operating style. Bank customers may also bear some transition costs. For example, the elimination of duplicative branches can be a major source of cost savings in in-market mergers. Many customers will experience a net improvement in convenience, since they can now use the branches of either of the merging banks. But branch closings may make it necessary for some customers to use a branch that is farther from their home or workplace, or to switch banks. We encourage banks to work with the communities they serve in order to minimize such service disruptions.

Effects of Bank Mergers on Competition

Even though the OCC carefully reviews every merger application that it receives to ensure that it will not substantially reduce competition in the affected markets, the cumulative effect of mergers is to increase the degree of concentration in the banking industry. It is reasonable to ask at what point the process of concentration could begin to result in an undue con-

centration of economic power that enables a small number of banking companies to set interest rates on deposits or loans that differ from those that would prevail in a competitive market.

This issue must first be placed in perspective. Notwithstanding the current trend towards consolidation, the U.S. banking industry is and will remain highly competitive. While 3,600 commercial banks have exited from the market in the past six years through merger or failure, there are still approximately 9,500 independent banking companies in the United States. That is far more, on either an absolute or a per capita basis, than in any other major industrialized country. U.S. banks face additional competition from thrift institutions, credit unions, foreign banks, mutual funds, insurance companies, and other non-depository financial intermediaries.

Furthermore, while mergers have increased the portion of total bank assets controlled by large banks, the share of total banking assets controlled by the nation's largest bank remains below 6 percent. The three largest banks together control 12 percent of total banking assets, a figure which recently publicized merger proposals would increase to 15 percent. Of course, these national statistics do not tell the whole story, which is why the OCC's procedures for competitive analysis of proposed mergers begin by examining the local markets served by the applicants. Nevertheless, it is reasonably clear that the U.S. banking industry is significantly less concentrated than most U.S. manufacturing industries, and also far less concentrated than the banking industries of other major industrialized countries.

Furthermore, there are still approximately 11,000 banks with assets of less than \$300 million operating in the United States. The presence of these smaller banks, combined with the entry of new banks into the market that has persisted throughout the period of consolidation, make it virtually impossible for large banks to wield significant monopoly power.

Effects of Bank Mergers on Credit Availability

A related concern is that the large banks created by mergers will displace community banks from local markets, and that credit availability to individuals and small businesses in those communities will suffer as a result.

Although the number of large banks and the share of total banking assets that they control may continue to increase, we do not believe that they will come to dominate the U.S. banking industry. Success in competing for banking business depends far more on the quality of service than on size. And while large banks

may have an advantage in providing certain types of banking services, such as mortgage servicing and credit card operations, smaller community banks retain unique advantages in other areas, such as providing personalized service to depositors and obtaining information on local credit markets.

Similarly, we do not believe that small banks and the customers they serve will be squeezed out of credit markets by large banks. As a general rule, credit markets operate efficiently to identify creditworthy borrowers and link them with sources of funding.

Thus, if large banks develop a competitive advantage in raising funds, and if they are not interested in using those funds to finance profitable small businesses directly, we believe that other market participants will find a way for them to do so indirectly — for example, by serving as a source of funding to community banks. If they do not, they will leave an unfilled market niche that can be filled by community banks. Either way, community banks will retain an important role in credit

markets, and creditworthy small businesses and other local borrowers will generally be able to obtain the financing they need.

Conclusions

The OCC's procedures for reviewing merger applications are guided by the same general principles that underlie our other responsibilities. Strong supervision is needed to ensure the safety and soundness of the banking system, but it should take the form of prescribing sound procedures and directing corrective action when banks depart from those procedures.

Economic forces and technological innovation are driving the changes that we are seeing in the structure of the banking system. Such change is needed if the banking system is to remain strong. We believe current laws and regulatory standards, coupled with our review procedures, are sufficient to ensure the preservation of competition and of service to the banking public.

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Interpretive Letters*

563 — September 6, 1991

This is in response to your request for a clarification of several terms used in the common enterprise test, one of the general lending limit rules which govern whether credits extended to separate persons by a bank are combinable. See 12 CFR 32.5(a)(2). You indicated that your bank is developing a new compliance plan which will contain several tenets to ensure that lending decisions will be consistent with the common enterprise test. You would like our assurance that the compliance plan may be based upon the following tenets:

1. The sole standards to be applied in a determination of whether credits should be combined under the "common enterprise" definition are the "per se rules" in section 32.5(a)(ii)-(iv);
2. These rules are to be applied flexibly based upon the "facts and circumstances" of each case; but some direct, substantial and demonstrable relationship between the "facts and circumstances" and a "per se rule" must exist for a credit to be combined;
3. The existence of "interdependent businesses" or "substantial financial interdependence" (section 32.5(a)(2)(iii)) may be established only by meeting the "50 percent of gross receipts or expenditures" standard already in the regulation, or by enumerating and quantifying factors that clearly demonstrate that one entity is "dependent" (i.e. necessary for continued existence) on another, commonly controlled entity.

I appreciate this opportunity to provide you with some comments.

The Office of the Comptroller of the Currency's (OCC) regulation defining a common enterprise states that a common enterprise will be deemed to exist:

- (i) depending upon a realistic evaluation of the facts and circumstances of particular transactions;
- (ii) where the expected source of repayment for each loan or extension of credit is the same;

- (iii) when loans or extensions of credit are made to persons who are related through common control, if the persons are engaged in interdependent businesses or there is substantial financial interdependence between them; a common enterprise will automatically be deemed to exist when 50 percent or more of a person's annual gross receipts or expenditures are derived from a person related through common control; or,
- (iv) when separate persons borrow from a bank for the purpose of acquiring more than 50 percent of the voting securities of an enterprise.

See 12 CFR 32.5(a)(2).

Your two concerns center around the extent to which this regulation grants to examiners discretion to judge when a common enterprise exists. First, you have requested confirmation that the facts and circumstances prong is merely a prefatory statement or general principle rather than an independent test for determining the existence of a common enterprise. You suggest that the facts and circumstances provision must be directly, substantially, and demonstrably tied to the three *per se* tests which follow, because otherwise the provision becomes an ambiguous standard that can only be applied on a *post hoc* basis during the examination process.

While we understand this concern, we cannot agree with your characterization of the facts and circumstances test. Instead, we must affirm that this test is indeed a stand alone provision, crafted to ensure that "loans to separate borrowers may be required to be combined even in cases which do not meet every detail of the *per se* rules set forth in (ii)-(iv) section 32.5(a)(2)(ii)-(iv)." 48 Fed. Reg. 15,847 (April 12, 1983). Although it would not be unusual for the *per se* factors to be present when a finding based upon the facts and circumstances test is made, the presence of the *per se* factors is not essential to the existence of a common enterprise.

In the preamble to the proposed lending limit regulation issued prior to the current rule, the OCC explained that "there will be instances where logic and public policy dictate that certain loans would be combined even where the specific factors set forth in [the common enterprise test] do not exist." 47 Fed. Reg. 56,864 (December 21, 1982) Subsequently, the OCC promulgated a definition of common enterprise in the final regulation which provides "some flexibility to cover situations which do not meet the strict language of the regulation." 48 Fed. Reg. 15,847 (1983)

*Interpretive letters and no objection letters reflect the views of the Comptroller's legal staff. Trust interpretations reflect the views of the Compliance Management Department

The OCC's proposed revision of the lending limit regulation would operate similarly. The "common enterprise test" would be replaced by diversification rules consisting of a general premise followed by several specific rules. Here, too, it is noted that

the OCC reserves the ability to attribute loans under the general rule even when none of the specific rules is directly applicable. Nevertheless, it is expected that such circumstances will be rare and banks should seldom need to seek guidance as to whether attribution is required under the general rule.

54 Fed. Reg. 43,402 (October 24, 1989).

Based upon comments received in response to the many revisions of the lending limit regulation, we have concluded that the facts and circumstances test does not pose a significant problem for banks. The courts also have supported this approach acknowledging "the proof that the loans are in fact excess loans to one borrower often must be found in circumstances, and latitude must be allowed in adducing such proof." *Hughes v. Reed*, 46 F.2d 435, 442 (10th Cir. 1931) (quoting *Corsicana National Bank v. Johnson*, 251 U.S. 68, 73 (1919)).

In summary, the current regime permits OCC examiners to require the combination of loans based upon facts and circumstances, without regard to the other *per se* rules set forth in the common enterprise test. We do not believe, however, that this approach has left credit combinations to what you have described as the "unfettered discretion of examiners." A review of OCC rulings reveals that a very strong evidentiary record based upon a number of factors must exist before a common enterprise will be found where the examiner has relied solely upon the facts and circumstances test.

In administrative opinions and interpretive letters, the OCC has indicated that the facts and circumstances test will be applicable when enterprises "engage in supporting lines of business, use common facilities, have common arrangements, or generally mingle their assets and borrowings." Comptroller's Decision AA-EC-87-77 (August 12, 1988); see also letter from Richard V. Fitzgerald, Chief Counsel (October 11, 1984) (unpublished) (loans will be combined where corporations are commonly owned, are engaged in the same line of business, interchange services and personnel, and are not completely separate in their operations and financial affairs). Rojo, *National Bank Lending Limits—A New Framework*, 40 The Business Lawyer 903, 923-24 (May 1985). Again, we believe that instances where the facts and circumstances test will apply to the exclusion of the *per se* rules will be rare.

Your second concern involves the OCC's interpretation of the "interdependent businesses" and "substantial financial interdependence" standards contained in section 32.5(a)(2)(iii). Here, we do agree with your assertion that "a determination of interdependence must be based either upon the '50 percent' rule already in the regulation or identifiable and quantifiable factors clearly demonstrating a "dependence" of one commonly controlled entity on another." Where intercompany transactions fall below the 50 percent rule of thumb, other factors must clearly demonstrate that dependence between commonly controlled entities does in fact exist. See Comptroller's Decision AA-EC-87-77 Comptroller's Decision (August 12, 1988) (where two corporations were controlled by the same two individuals and one corporation on one occasion transferred \$100,000 to the other corporation, the record did not provide an adequate evidentiary basis for concluding that the corporations were a common enterprise.)

Peter Liebesman
Assistant Director
Legal Advisory Services Division

* * *

564 — October 29, 1991

This is in response to your letter written on behalf of *** ***¹, seeking the opinion of the Office of the Comptroller of the Currency (OCC) on whether a provision of Idaho law which purports to prohibit national banks from performing full service banking functions on Saturdays will be applicable to *** *** upon its conversion to a national bank. Based upon my review of the statute and prior OCC precedent, it is my opinion that the Idaho statute conflicts with the authority conferred on national banks by Congress through the National Bank Act and is therefore preempted. Consequently, for the reasons set forth more fully below, *** may retain its Saturday hours² and provide full banking services upon its conversion to a national bank.

¹*** is owned by *** a bank holding company subsidiary of *** ***. *** acquired in 1990, was formerly known as a federal savings bank headquartered in *** with ten branches located throughout the state. In January 1991, *** initiated its conversion to a national bank by filing applications with the appropriate bank regulatory officials. The conversion to a national bank was completed in August, 1991.

²Section 26-1855 of the Idaho Code does not prohibit savings and loan associations from conducting business on Saturdays. It does however require that such institutions close on legal holidays.

Idaho Law

Section 26-716 of the Idaho Code provides in relevant part:

Transactions on holidays and Saturdays.

—. . . No bank in this state shall keep open for transaction of banking business, or perform any of the acts or transaction of a commercial bank on any Saturday or on any legal holiday³. . .

Idaho Code 26-716 (1991). This provision is made applicable to national banks through section 26-107 of the Idaho Code. Although section 26-716 on its face prohibits a national bank from performing banking transactions on Saturdays and legal holidays³, Idaho does permit limited banking functions to be accomplished on Saturdays and legal holidays through the use of customer bank communication terminals (CBCTs). See Idaho Code 26-309(4) (1991). This provision has also been interpreted by state authorities as permitting the operation of drive-up teller windows during Saturdays and legal holidays. Pursuant to section 26-309(b) the functions of the CBCTs are limited to (1) receiving deposits, (2) cashing checks, (3) dispensing of cash, (4) payment of loan proceeds through prearranged credit lines, (5) providing account information, and (6) receiving loan payments.

Notwithstanding the expansive language of section 26-716 and the fact that the limitations imposed on the use of CBCTs are intended to apply to all "financial institution[s]" including savings and loan associations, see Idaho Code section 26-309(6), the section of the Idaho Code that specifically addresses the operation of savings and loan associations does not require that they be closed on Saturdays. Instead, it requires that such institutions be closed only on legal holidays. See Idaho Code section 26-1855. Relying on this provision of Idaho law, * * * (prior to its conversion) and its predecessor, * * *, had been offering full service banking at certain branch locations on Saturdays. The current request seeks a determination as to whether, upon conversion to a national bank, * * * may continue to provide full banking services on Saturdays.

Federal Preemption

The case of *Davis v. Elmira Savings Bank*, 161 U.S. 275 (1895), provides a succinct description of the inter-relationship between federal and state laws as applied to the functioning of national banks. As stated by Justice White in *Davis*:

³Section 73-108 of the Idaho Code enumerates the legal holidays observed by the State. Saturday is not considered a "legal holiday."

National banks are instrumentalities of the Federal government, created for a public purpose, and as such necessarily subject to the paramount authority of the United States. It follows that an attempt by a state to define their duties or control the conduct of their affairs is absolutely void, wherever such exercise of authority expressly conflicts with the laws of the United States, and either frustrates the purpose of the national legislation, or impairs the efficiency of these agencies of the Federal government to discharge the duties for the performance of which they were created. These principles are axiomatic, and are sanctioned by the repeated adjudications of this court.

Id. at 283. See *Franklin Nat. Bank v. New York*, 347 U.S. 373 (1954); see also, *Fidelity Federal Savings & Loan Assn. De la Cuesta*, 458 U.S. 141, 152-154 (1982). Stated differently, federal preemption of state law may occur in one of three ways. First, Congress may explicitly state in a federal statute its intent to preempt state law in a particular field.⁴ Second, a statute may implicitly preempt state law based on Congress's intent to create a law in which the federal interest is so dominant that the federal system will be assumed to preclude enforcement of state laws on the same subject.⁵ Finally, even where Congress has not completely displaced state law in a given area, state law is nullified to the extent that it actually conflicts with federal law.⁶ The U.S. Supreme Court has previously concluded that whether a state law conflicts with federal law rests on whether the state law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."⁷ Thus, under this third line of federal preemption doctrine, the relevant issue is whether section 26-716 of the Idaho Code interferes with a national bank's ability to avail itself of those powers conferred upon it by Congress through the National Bank Act. To the extent that section 26-716 represents such an obstacle, the state statute will be preempted.

Twelve U.S.C. 24(Sixth) provides that a national bank may "prescribe by its board of directors, by-laws not inconsistent with law, regulating the manner in which ... its general business [is] conducted" Thus, to the extent a state law purports to regulate the manner in which a national bank conducts its business, whether by restricting the institution's banking hours⁸ or other-

⁴See *Jones v. Rath Packing Co.*, 430 U.S. 519, 525 (1977)

⁵See *Rice v. Sante Fe Elev. Corp.*, 331 U.S. 218, 230 (1947)

⁶See *Fidelity*, *supra*, at 153

⁷*Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)

⁸The OCC has traditionally left banking hours to the discretion of the individual institution. Interpretive Ruling 77434 notes that changes to banking hours should be made taking into consideration the "bank's costs and competitive position." 12 CFR 77434

With regard to the scope of banking functions authorized under the National Bank Act, it has been the OCC's position that federal law is controlling and that a national bank while permitted to follow state law, is not required to do so. See Letter from Jonathan L. Levin, Senior Attorney Legal Advisory Services Division, dated September 5, 1985 (unpublished) (preempting Mississippi law regulating banking hours); *see also*, letter from James J. Saxon, Comptroller of the Currency, dated April 3, 1966 (unpublished) (bank not required to adhere to North Carolina law governing notice of changes in banking hours but may wish to do so as a matter of comity).

This view is consistent with the national banking laws' treatment of national bank observances of legal holidays. Twelve U.S.C. 95 provides in pertinent part:

... In the event that a State or a State official authorized by law designates any day as a legal holiday for ceremonial or emergency reasons, for the State or any part thereof, that same day shall be a legal holiday for all national banking associations or their offices located in that State or the part so affected. A national banking association or its affected offices may close or remain open on such a State-designated holiday unless the Comptroller of the Currency by written order directs otherwise.

12 U.S.C. 95(b)(1) (emphasis supplied). Thus, national banks in Idaho, notwithstanding section 26-716 and its prohibition against remaining open for business on legal holidays, would have the option of closing or remaining open on those days. Although section 95(b)(1) on its face is limited to "legal holidays," section 26-716, in effect, renders Saturday a legal holiday without the state specifically designating it as such. In addition, the prohibition against Saturday hours appears to be contrary to the spirit of 12 U.S.C. 95 whereby Congress expressed its intent to provide national banks flexibility in determining whether to close or open for business on state-declared holidays.

The requirement that branches provide only limited services on Saturdays is also problematic for national banks in that the OCC's evaluation of national bank compliance with the Community Reinvestment Act of 1978 (CRA), 12 U.S.C. 2901 *et seq.*, is based, in part, on the bank's record of opening and closing offices and providing services at offices." 12 CFR 25.7(g).

The provision of full service banking on Saturday is consistent with the stated purpose of the CRA to have banks serve the convenience and needs of the communities in which they are chartered to do business." Section 563(c)(1) limiting the range of banking

services that may be offered on Saturdays frustrates the ability of national banks to fully service the business and consumer banking needs of its customers.

Conclusion

Because the restrictions imposed on national banks through section 26-716 stand as an obstacle to their ability to carry out the full purposes and objectives of Congress through the provision of banking services authorized under the National Bank Act, it is my opinion that *** may continue to open for business on Saturdays notwithstanding the restrictions imposed on Saturday operations under Idaho law.⁹

Peter Liebesman
Assistant Director
Legal Advisory Services Division

* * *

565 — November 27, 1991

This is in response to your letter dated September 12, 1991, written on behalf of your client, JCB International Credit Card Co., Ltd. (JCB (USA)). JCB(USA) proposes to establish as a wholly owned subsidiary a nationally chartered credit card bank (bank). The bank will extend credit to individuals (cardholders) to pay for goods or services or to obtain cash advances from businesses (merchants) that accept charge and credit cards bearing the JCB logo (JCB cards). You have requested an interpretation that the bank would not be engaging in a "covered transaction" for purposes of section 23A of the Federal Reserve Act, 12 U.S.C. 371c, if payments made by the bank to the merchants in connection with the credit card transactions are made through settlement services provided to the merchants by affiliates of the bank. Upon review of your proposal and the relevant legal precedent, I concur with your conclusion that the proposed activities would not involve "covered transactions" under 12 U.S.C. 371c.

Facts

According to your letter, the bank, through JCB(USA), will be a wholly owned subsidiary of JCB International Co., Ltd. (JCBI), which is a wholly owned subsidiary of JCB Co., Ltd. (JCB). JCBI and JCB (the affiliates) currently provide settlement services to the merchants

⁹Although *** has offered alternative legal theories on which a preemption determination may be based, the OCC has found it unnecessary to rely on these theories in concluding that the Idaho law is preempted

in connection with JCB card transactions.¹ For purposes of 12 U.S.C. 371c, the merchants will not be affiliates of the bank.

Under the JCB(USA) proposal, neither the merchants nor the affiliates will be involved in the bank's decision whether to issue a JCB card to an individual borrower. The bank's decision to extend credit will be based on its own independent credit underwriting standards.

When a cardholder uses a JCB card to make a purchase or obtain a cash advance, the merchant will present the transaction information (such as the account number and transaction amount) to an affiliate. The affiliate will pay the merchant for the charges, typically on a daily basis. The merchant will pay the affiliate a service fee based on the transaction volume, typically on a monthly basis.²

Upon receipt of the transaction information from the merchant, the affiliate will present the transaction information to the bank. The bank will then debit the cardholder's account for the amount of the charge and reimburse the affiliates for the payments provided to the merchants. In the event that the cardholder notifies the bank that a particular transaction was not authorized or that the amount was incorrect, the affiliate will reimburse the bank for the amount paid and obtain reimbursement for that amount from the merchant.

You represent in your letter that the relationship between the bank and the affiliates with respect to these transactions will comply with the requirements of section 23B of the Federal Reserve Act, 12 U.S.C. 371c-1. That is, these relationships will be on terms and under circumstances that are at least as favorable to the bank as those prevailing at the time for comparable transactions involving unaffiliated companies.

Legal Analysis

The issue presented is whether the proposed transactions between the bank and the affiliates as a result of the affiliate's provision of settlement services to the merchants constitute "covered transactions" for pur-

poses of 12 U.S.C. 371c. This section imposes certain restrictions on "covered transactions" between banks that are members of the Federal Reserve System and their affiliates. The bank, as a national bank will be required to become a member of the Federal Reserve System and will therefore be subject to 12 U.S.C. 371c. See 12 U.S.C. 222. The affiliates will be "affiliates" of the bank for purposes of this section because they are companies that will indirectly "control" the bank through their wholly owned subsidiary, JCB(USA), which will in turn own 100 percent of the bank's voting stock. See 12 U.S.C. 371c(b)(1)(A) and (3)(A)(1).

The term "covered transaction" in 12 U.S.C. 371c includes (1) a loan or extension of credit from a member bank to an affiliate, and (2) a purchase of assets, including assets subject to an agreement to repurchase, by a member bank from an affiliate. See 12 U.S.C. 371c(b)(7)(A) and (C). In addition, any transaction between a member bank and any person is "deemed to be a transaction with an affiliate to the extent that the proceeds of the transaction are used for the benefit of or transferred to the affiliate." 12 U.S.C. 371c(a)(2). A transaction deemed to be a transaction with an affiliate under this latter provision will be a "covered transaction" if it otherwise meets the definition of this term under 12 U.S.C. 371c(b)(7)(A)-(E).

Loan or Extension of Credit

The proposed transactions will involve the bank's provision of funds to the affiliates to cover amounts that the affiliates will have provided to the merchants. The funds that the bank advances are the loan proceeds of the bank's extensions of credit to the cardholders. Thus, a question arises whether the bank's transfer of these proceeds to the affiliates should be "deemed" an extension of credit to the affiliates, and therefore a "covered transaction" under 12 U.S.C. 371c(a)(2).

Notwithstanding the fact that loan proceeds of the cardholders will literally be transferred from the bank to the affiliates, I concur with your conclusion that 12 U.S.C. 371c(a)(2) should not apply to the proposed transactions. As you note in your letter, the transactions raise issues similar to those considered by the Office of the Comptroller of the Currency (OCC) in Interpretive Letter 266, *reprinted in Fed. Banking L. Rep. (CCH) ¶85,430* (July 28, 1983).

In Interpretive Letter 266, the OCC addressed a national bank's issuance of a standby letter of credit to an unaffiliated account party where the bank's parent holding company was the beneficiary. The parent holding company was to make loans that would be guaranteed by the account party. In the event of the account party's default on its guarantee, the holding company would

¹You indicated during a November 7, 1991, telephone conversation with Laura Plaze of this office that JCB is currently an issuer of credit cards in Japan. The relationships the affiliates have already established are to service transactions between holders of Japanese-issued JCB cards and merchants located in the United States.

²The affiliates will also provide settlement services for JCB card transactions on a wholesale basis to other financial institutions, which in turn will provide settlement services to merchants. These transactions do not raise any additional issues under 12 U.S.C. 371c because the bank's relationship with the affiliate will be the same whether the settlement services are provided directly to the merchants, or on a wholesale basis to other financial institutions.

draw upon the bank's letter of credit and would thus receive the proceeds of the bank's extension of credit to the account party.

In considering this transaction the OCC noted that despite the fact that the letter of credit proceeds would be transferred to the affiliate, the transaction did not implicate the concerns underlying 12 U.S.C. 371c(a)(2), which was "enacted to prevent sham transactions, i.e., transactions devised in such a way as to permit straw parties to borrow funds from a member bank and then transfer them to the affiliate" The OCC noted further that "the intent of 12 U.S.C. 371c appears to be to prevent the inherent tendency of member banks to relax their credit evaluation of affiliates when called on by the affiliate to extend credit." In this case, since the actual obligor on the letter of credit was the unrelated third party and not the affiliate the OCC suggested that the danger of abuse was reduced.

Relying on an analogy to the Federal Reserve Board's interpretation at 12 CFR 250.250, the OCC concluded that 12 U.S.C. 371c would not apply, provided that the bank used its normal standards in deciding whether to issue the letter of credit, made the decision to issue the letter of credit before the holding company made the loans, and made its own independent evaluation of the creditworthiness of the account party.³ The OCC's focus was not on whether the affiliate may have incidentally benefitted from the transaction, but on whether the bank's decision to engage in the transaction was based on its normal credit criteria and was independent of the holding company's relationship to the account party.

In the instant case, perhaps even more so than in Interpretive Letter 266, the bank's decision to extend credit through the issuance of the JCB cards will be wholly independent of the affiliates' actions. In fact, because the affiliates will have no direct relationship with the cardholders, there appears to be little danger that the bank would be pressured by the affiliates into extending credit to particular borrowers. In addition, as in Interpretive Letter 266, the bank's independent credit decisions will occur before the cardholders enter into any transactions with the merchants and before the affiliates advance funds to the merchants to cover the transactions. It seems clear that the bank's extensions

of credit to the borrowers should not be characterized as "sham" transactions entered into for the purpose of financing the working capital needs of the affiliates. Accordingly, based on the reasoning of Interpretive Letter 266 and its analogy to the Federal Reserve Board's interpretation at 12 CFR 250.250, it is my conclusion that the transactions at issue should not be "deemed" extensions of credit to the affiliates and are therefore not "covered transactions" by virtue of 12 U.S.C. 371c(a)(2) and (b)(7)(A).

Purchase of Assets

It is also possible that the bank's proposed transactions with the affiliates might be viewed as the "purchase of assets" and therefore "covered transactions" under 12 U.S.C. 371c(b)(7)(C). This argument arises from the fact that loan receivables will be booked by the bank when it makes payments to the affiliates on the JCB card transactions.

In my opinion, characterizing the bank's payments to the affiliates as the purchase of assets would misconstrue the substance of the transactions. The assets that will be the subject of these transactions are the credit card loans that will be originated by the bank, without any involvement from the affiliates or the merchants. It does not appear that the bank will rely on the affiliates or the merchants to originate or acquire assets for the bank's ultimate purchase. As you explain in your letter, the bank's advance of payments to the affiliates will constitute the disbursal of loan proceeds in accordance with the bank's agreement with the cardholders. In effect, the affiliate's role will be that of a conduit in the disbursal process.

Based upon the foregoing, it is my conclusion that the proposed transactions simply do not present the danger that 12 U.S.C. 371c seeks to protect against, i.e., that the affiliates might pressure the bank into purchasing their assets. The transactions are merely part of the system by which the cardholder's loan proceeds will be disbursed to the merchants, and the bank should not be viewed as purchasing loan assets from the affiliates for purposes of 12 U.S.C. 371c.⁴

Uncollected Items in the Ordinary Course of Business

You also suggest in your letter that even if the bank's payments to the affiliates would be "covered transac-

³The Federal Reserve Board had concluded that a member bank's purchase of a car from an affiliate was not a "covered transaction" and that the bank's commitment to purchase the loan was made in the context of a proper series of transactions (2) prior to the "date of commitment to make the loan" and (3) based upon the bank's independent evaluation of the underlying borrower's creditworthiness. In my view, under these circumstances the bank's advance of funds to the affiliate is not an improper incentive to alleviate the bank's risk of loss. It is, in fact, a credit enhancement to the bank's risk position.

⁴Because the bank does not purchase assets from the affiliates to begin with it is not necessary to consider whether the affiliates' agreement to reimburse the bank for amounts paid in the case of unauthorized transactions means that the transactions should be viewed as the purchase of assets subject to an agreement to repurchase under 12 U.S.C. 371c(b)(7)(C).

tions," they should be exempt from the quantitative restrictions of 12 U.S.C. 371c under 12 U.S.C. 371c(d)(3). Subject to the safety and soundness requirements of 12 U.S.C. 371c(a)(4), this exemption permits a member bank to provide immediate credit to an affiliate for "uncollected items received in the ordinary course of business" without regard to the restrictions of 12 U.S.C. 371c.

As you are aware, there is very little authority interpreting the scope of this exemption. You suggest, though, that this exemption should permit payment systems including credit card payment systems to function in the ordinary course of business. That is, if the payments on the JCB card transactions are "covered transactions" they should be exempt because they represent the bank's giving of immediate credit to the affiliates for uncollected items (the credit card sales drafts) received in the ordinary course.

It is not necessary for me to address whether this exemption would apply, because I have concluded that the transactions would not be "covered transactions" for the reasons stated above. However, I note that your reading of the exemption seems reasonable and that it could be an alternative basis for concluding that the proposed transactions are not subject to the restrictions of 12 U.S.C. 371c.

In conclusion, please be advised that the opinion expressed in this letter is based upon the facts and circumstances as you have described them. Should the facts or circumstances change, or be otherwise than as described, the opinion would be subject to revision.

Peter Liebesman
Assistant Director
Legal Advisory Services Division

* * *

566 — December 2, 1991

This responds to your letters, dated June 12, 1991, and August 9, 1991, inquiring about the permissibility of an accidental death and dismemberment insurance program that your company proposes to offer through national banks. In my opinion, the program is permissible under the National Bank Act, subject to a limitation discussed below. I express no opinion as to the permissibility of the program under state laws, and would expect that any national bank considering your program would seek to assure itself as to its compliance with state law.

Your proposal contemplates the following arrangement between a national bank (bank) and an insurance company (insurer):

- The bank will provide its deposit customers with \$1,000 of coverage, underwritten by an insurance company (insurer), at the bank's expense.
- The bank will make the insurer's brochures available to bank customers and will refer bank customers to the insurer for additional coverage.
- The bank will provide its customer lists to the insurer.
- The bank will provide billing services to the insurer to assist the insurer in collecting premiums.

The insurer will pay the bank a fee for services rendered to the insurance company. The bank will receive no commission or fee based on the number of insurance policies provided to customers or on the amount of additional coverage purchased by customers. You represent that the bank and the insurer will comply with all applicable state and federal laws and regulations relating to the sale of insurance.

Discussion

Sale of Customer Lists

The OCC does not object to a bank's sale or rental of its customer lists. OCC Interpretive Letter No. 316, *reprinted in* [1985-87 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,486 (December 28, 1984).

Referral Services and Brochures

The OCC has permitted banks to refer customers to insurance companies or other vendors of services under the "Finder Rule," 12 CFR 7.7200, which states that a bank may "act as 'finder' in bringing together a buyer and seller, where the bank's activity is limited to the introduction and it takes no further part in the negotiations." The services that you propose to offer have been approved previously under the finder rule. See letter from Christopher C. Manthey, Senior Attorney, Legal Advisory Services Division (March 2, 1989).

Free Insurance

In a letter dated January 30, 1987, James M. Kane, District Counsel, Central District, concluded that a national bank may purchase life insurance for its deposit

as an incentive for customers to make deposits with the bank. Your program is similar to the one approved in that letter and therefore also appears to be permissible under the National Bank Act. The Kane letter cited the following facts in support of its conclusion that the bank was not acting as an insurance agent:

- (1) the bank received no commission or fee from the insurance company from the sale of insurance policies;
- (2) there was no agency agreement between the bank and the insurance company;
- (3) the bank was not involved in counselling customers on their insurance needs;
- (4) the bank did not service the policyholders or handle claims; and,
- (5) the bank did not offer other types of insurance.

In your proposal, the bank will receive fees from the insurance company, but only for specific services (such as the sale of customer lists). The bank will not act as agent for the insurance company, will not counsel customers on their insurance needs or handle claims, and will not receive any commissions or fees based on the insurer's sales to bank customers.

If a customer elects to purchase additional insurance from the insurer, the bank will collect premium payments from the customer, either by debiting the customer's deposit account or through the customer's credit card account. These transactions involve routine payment-related services that are clearly part of the business of banking. The inclusion of these billing services in your proposal does not make the bank an insurance agent since the role of an insurance agent is to sell policies, not to collect premiums.

Insurance provided to certain depositors may be subject to limitation by 12 U.S.C. 371a, which prohibits member banks from paying interest on demand deposits. The Federal Reserve Board has interpreted this prohibition to limit the extent to which a member bank may offer premiums to holders of demand deposit accounts. 12 CFR 217.301. This provision applies only to demand deposit accounts subject to 371a and would not limit the power of a bank to offer free insurance to depositors with interest-bearing accounts.

A. Alan B. Giddens
Assistant Director
Consumer Advisory Services Division

No Objection Letters

91-3 — September 3, 1991

This responds to your letter of October 26, 1990, addressed to Mr. Asa L. Chamberlayne, Attorney, requesting a no objection opinion concerning a proposed student loan program by Barnett Banks, Inc. (BBI). As you noted, Barnett's original request was submitted by a letter dated January 23, 1990, and supplemented on May 22, 1990, by opinion of the holding company's outside legal counsel.

The Proposal

The facts as are as follows: In the past, BBI and its 35 subsidiary banks (the banks) have not participated significantly in the United States Guaranteed Student Loan Program provided under the provisions of 20 U.S.C. 1071 *et seq.* (the program). One reason for the lack of participation has been the administrative problems entailed by each of the 35 banks originating and administering its own portfolio of student loans.

Under the program, only "eligible lenders" may make guaranteed student loans. A bank holding company is not an "eligible lender." Each of the banks is an "eligible lender." BBI has sought and received advice from the U.S. Department of Education that a trust created by banks, each of whom is an eligible lender, will itself be an eligible lender and will be able to originate student loans under the program.

All of the banks, as grantors, have entered into a trust arrangement entitled the Amended and Restated Barnett Higher Education Loan Program Student Loan Trust I (the trust) with Barnett Banks Trust Company, N.A., as trustee. Under the terms of the Trust, the banks that wish to invest in student loans will, from time to time, contribute funds into the trust. The trust will issue to the banks certificates of participation in the amount of the contribution, together with a stated rate of return thereon.

Under the terms of the trust, and on its behalf, a division of BBI, Barnett Student Loan Service Center, will make decisions with respect to the origination or purchase or sale of student loans. The student loans themselves will be serviced by an independent third party. Each bank will make the decision when to invest in the [corpus of the] trust and when to redeem its participation. The trustee will have no discretion. It is serving as trustee only to comply with Florida law requiring that a corporation with trust powers (or an individual) serve as trustee in order for there to be a valid trust.

Once the program begins to operate, the banks will from time to time when their financial condition warrants

it, elect to purchase certificates of participation in the trust. The trust, under the management of BBI, will arrange for the origination or purchase of the requisite amount of student loans. From time to time, the banks will request that their certificates of participation be redeemed, which will require up to 30 days advance notice. Redemption will be refunded either from loan repayments or from the sale of loans.

Certification of participation will be issued only to subsidiary banks of BBI and will be nontransferable. They will not constitute an interest in any particular student loan or loans. Instead, they will represent an undivided percentage interest in the trust corpus.

The U.S. Department of Education has advised BBI that "a trust arrangement would be acceptable so long as the trustee is an eligible lender, as defined in section 453(d) for the Higher Education Act of 1965, as amended."

Legal Discussion

There are several legal issues for review in the proposal. The first of these deals with the ability of national banks to purchase participation interests in a pool of loans, where the participation interests are purchased as an undivided interest in the entire pool of loans. The Office of the Comptroller of the Currency (OCC) has concluded for a number of years that national banks may invest through the purchase of participation interests in pools of loans.¹ Judicial ratification of this position is set forth in the case of *Securities Industry Association v. Clark*, 885 F.2d 1034 (2nd Cir. 1989), *cert. denied*. However, as discussed further, certain restrictions apply to national banks engaging in this activity.

First, 12 U.S.C. 84 limits loans and extensions of credit by a national bank to an obligor to 15 percent of the bank's capital and surplus, unless the loans are exempted under one of the exceptions set forth in the statute. A companion limitation exists under the provisions of the statute which govern loans to affiliates. 12 U.S.C. 371c. As is set forth at 12 U.S.C. 371c(b), the

definition of "affiliate" includes "company." "Company" is further defined to include business trust. As bank counsel has noted, student loans will be originated and held only by the trust, so there will be no transfer of individual loans between the trust and the banks. Certificates of participation in the pool will be issued by the trust to the participating national banks. The certificates of participation will be non-transferrable. A purchase of a participation investment in the pool represents loans to an affiliate for purposes of 12 U.S.C. 371c. Thus, these transactions become covered transactions as defined at 12 U.S.C. 371c(d).

Additional legal issues arise as a consequence of the covered transaction rule.

In the past, the Office of the Comptroller of the Currency has held that the loan to one borrower limits of both sections 84 and 371c are applicable to loans to national bank affiliates. However, in 1983, the agency modified its position. As noted in the preamble to OCC Regulation 32 at the time of its issuance:

The Office has examined the legislative history of section 410 and is unable to conclude that Congress intended to preempt section 84 with regard to affiliate lending. The Office is satisfied, however, that the current section 23A, as amended (i.e., section 371, Title 12), provides an adequate framework for regulation of loans to affiliates and that application of section 84 to these loans at this time is unnecessary. The final regulations reflect this view.

See 48 Fed. Reg. 15,844 (1983). Thus, under this interpretation, transactions between the banks and the trust that comply with section 371c would not be deemed to violate section 84.

The exemption set forth at 12 U.S.C. 371c(d)(4)(B) would appear to be applicable, based upon a government guarantee of principal and interest of the individual student loans. An alternative approach would incorporate the collateral requirements set forth at 12 U.S.C. 371c(c)(1)(A). In either event, so long as the loans carry government guarantee, a purchase of interest by a national bank would qualify for the exemption for the lending limit. The loans also would be subject to the requirements of 12 U.S.C. 371c-1 and 371c(a)(4).

The second legal issue involves the role of Barnett Banks Trust Company, N.A., acting as trustee with respect to the trust created by its affiliated banks. Bank counsel has advised that, in its opinion, the trustee has the power to serve as trustee and there is nothing in its charter that would inhibit or impair its ability to serve as

¹See letter from Thomas DeShazo, Deputy Comptroller of the Currency (May 22, 1970) (pooling of consumer installment loans); Interpretive Letter No. 25 (February 14, 1978), reprinted in [1978-79 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,100 ("Assuming that the certificates are not investment securities, . . . a national bank may still purchase them for its loan account and regard them as real estate loan participants"); Interpretive Letter No. 41 (May 18, 1978) reprinted in [1978-79 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,116 (same).

trustee in this instance. Bank counsel further notes that there is no limitation under Florida law restricting the ability of a trust to originate or deal in student loans. Nor are there any affirmative duties or obligations under the trust agreement which would impose upon the trustee any extraordinary liability. I agree with the opinion of bank counsel that there is nothing contained within the trust agreement which imposes any duties or responsibilities not contemplated by the provisions of 12 U.S.C. 92a.

The third legal issue deals with the ability of a number of national banks to act as the grantors in creating a single trust. On a number of previous occasions the OCC has not objected to national banks donating assets into a trust for the purpose of providing an alternative means of monitoring, controlling, and servicing loans. Typically, these transactions occur with troubled assets, but the agency has not restricted the use of this form of legal vehicle for the exclusive purpose of control, collection, and liquidation of troubled assets.

In addition to the comments set forth above, BBI is advised that the OCC has a continuing study underway to determine whether the purchase of participations in loan pools should be treated as loans or securities. The results of that study may impact this program.

For the present, no objection will be raised to Barnett Banks, Inc., proceeding with this proposal as described. This conclusion is based on the facts presented in the bank's letters of January 22, 1990, and May 18, 1990. Please note that any different facts or conditions might require a different conclusion. In addition, these views are based on current law and regulation, are subject to reconsiderations and should not be regarded as a precedent binding on the Office of the Comptroller of the Currency.*

H. Gary Pannell
District Counsel
Southeastern District

*Enclosures have been omitted. Copies may be obtained from the Communications Division, Washington, D.C.

91-4 — October 11, 1991

I am writing in response to your request for a no objection letter as to whether Valley National Bank may obtain a license and act as a general

contractor in connection with real estate it holds as other real estate owned (OREO) under 12 U.S.C. 29. Your inquiry concerns three situations: first, the bank's obtaining a license and acting as a general contractor in connection with its OREO; second, the bank's acting as a general contractor in completing certain planned improvements to OREO that are necessary to preserve its value; and third, the bank's acting as a general contractor in completing a partially constructed building on OREO.

For the reasons set forth below, I am unable to issue an unqualified no objection letter as you request. While I believe that the bank could obtain a general contractor's license and act as a general contractor for its OREO under appropriate circumstances, specific answers about the second and third situations you have described would depend on the particular facts in individual cases.

You have indicated that under the laws of Arizona, any person who undertakes to, or does by itself or through others, or directly or indirectly supervises others to construct or improve any building, development, or improvement on real property must obtain a contractor's license. See Ariz. Rev. Stat. Ann. 32-1101 *et seq.* (1990). You have further indicated that an owner of property—including the bank—would not be exempt from this licensing requirement unless the property is being improved with no intent to rent or sell. See Ariz. Rev. Stat. Ann. 32-1121 (1990). In addition, you have indicated that hiring a general contractor to complete developments or improvements to OREO increases the costs of preparing the OREO for sale and, therefore, decreases the probability that the bank will recover the entire amount of its debt.

As an incident to the exercise of its power to collect its debts, a national bank has the right to secure and to save a debt. When faced with a loss growing out of a legitimate banking transaction, a national bank may acquire real estate and other property or assets securing the loan, manage and operate those assets, and employ any reasonable means to avoid the loss of its extensions of credit within the limitations prescribed by 12 U.S.C. 29 and applicable regulations governing the retention of real estate by national banks. Under this authority, a national bank may make necessary repairs and other improvements on OREO so that

it may sell the property and convert it into money; and, in order to do so, it may clean it, make reasonable repairs upon it, and put it in presentable condition to attract purchasers, in the same way an individual of sound judgment and prudence would do if he desired to make a sale of the property.

Cooper v. Hill, 94 F. 582, 585 (8th Cir. 1899). Thus, in the first situation you have described, I believe that a national bank—like an individual similarly situated—would have authority to obtain an Arizona contractor's license and to act as a general contractor in making appropriate repairs and improvements to its OREO. However, the bank should take all prudent measures to protect itself from any liability associated with being a general contractor. In order to insulate itself to some extent from this liability, the bank might consider conducting this activity in a separately capitalized operating subsidiary corporation established in accordance with 12 CFR 5.34.

In response to the second and third situations you have described, whether a national bank may act as a general contractor in these situations is dependent on the specific facts in individual cases. Twelve U.S.C. 29 states that upon notifying the OCC that

conditions exist that require the expenditure of funds for the development and improvement of . . . [OREO], and subject to such conditions and limitations as the . . . [OCC] shall prescribe, the . . . [bank] may expend such funds as are needed to enable . . . [it] to recover its total investment.

As you note in your letter, the purpose of 12 U.S.C. 29 is to deter risky real estate speculation at the peril of depositors.

First Nat'l Bank of Bellaire v. Comptroller of the Currency 697 F.2d 674 (5th Cir. 1983). Under the authority of 12 U.S.C. 29, the OCC issued Interpretive Ruling 7.3025, which is codified at 12 C.F.R. 7.3025. Twelve CFR 7.3025(j) contemplates that if the OREO

is an unfinished construction or development project, further prudent advances to complete the project may be included in other real estate owned. However, such advances may not be capitalized unless the bank maintains evidence that the advances will result in a more salable property and are recoverable.

12 CFR 7.3025(j). (Emphasis added.)

The second situation you have described involves the bank's acting as a general contractor in completing planned improvements to OREO which are necessary to preserve a property's value. You have indicated that the contemplated improvements to the OREO may include site preparation, streets, sewers, curbs, gutters, utilities, re-zoning and platting of land necessary to maximize its value in subsequent sales. In some

instances, improvements such as these may be appropriate.¹ Yet, in others they may clearly be inappropriate. Whether or not a national bank may make these improvements will depend on the facts of a particular transaction.²

For example, if the OREO is vacant land upon which the construction of 100 houses was planned, a national bank generally would not have the authority to commence the construction or to act as a general contractor in constructing the 100 houses. However, if construction had begun on some of the houses, a national bank may probably complete the construction of these houses that had been started and any reasonable improvements to the land that are necessary to sell those houses. These improvements may include some of those items you have mentioned. Twelve CFR 7.3025 permits prudent expenditures of funds for completion of an unfinished construction or development project. This regulation, however, would not permit the bank to embark on a speculative real estate project under the guise of exercising the incidental power to salvage a debt. Therefore, if in this example construction on 10 houses had been started or completed by the borrower prior to foreclosure, the bank would not be authorized to commence construction of the remaining 90 houses simply because they had been originally planned by the borrower. It may be worth noting that it is generally harder for national banks to justify the commencement of a construction project under 12 U.S.C. 29 and 12 CFR 7.3025 than it is to complete a project that had been commenced by the borrower prior to foreclosure by the bank and upon which substantial construction had been completed. Based on the limited facts contained in your letter and

¹In No Objection Letter No. 87-2, the bank was permitted to begin development plans and commence construction on a planned unit development in order to preserve the existing zoning classification of the land. The bank's failure to act would have resulted in a substantial decrease in the ultimate value of the land as developed. Thus, in order to protect the value of the property and to obtain full repayment of the loan, the bank was permitted to continue to improve and to develop the property through an operating subsidiary corporation. See OCC No Objection Letter 87-2, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 84,031 (March 12, 1987). I note this is the only precedent issued by the OCC that clearly authorized the commencement of construction by a bank on OREO. Obviously, this letter was heavily dependent on the facts of that case and should not be generally relied upon as precedent.

²In No Objection Letter 86-6, the facts do not indicate whether the development and improvements were to vacant land or to a partially constructed project. If this letter concerned vacant land, it is inaccurate. If this letter concerned a partially constructed project, it is appropriate. Because of this factual uncertainty, the precedential value of this letter is diminished. See OCC No Objection Letter 86-6, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 84,012 (April 22, 1986).

the fact that re-zoning is involved, it is unlikely that the bank can proceed with this part of the proposal.

The third situation you have described involves the bank's acting as a general contractor in the completion of a partially constructed building on OREO. Generally I believe that a national bank could act as a contractor in completing a partially constructed building on OREO where such action is a prudent way to mitigate the loss on the original debt. However, whether the bank could do this in an individual case would depend upon the particular facts of the situation, such as the extent to which construction is partially underway and the extent to which it would be prudent to complete the construction.

Thus, absent specific facts, I can only state in general terms that the bank may engage in reasonable activities associated with ownership of its OREO if these activities are consistent with prudent and sound banking practices and if the bank is acting to avoid or to mitigate any loss on its debt. The determination of how the bank may best realize upon its security so as to minimize its loss in a matter is one to be initially made by the board of directors with the advice of the bank's counsel, and this decision is subject to OCC review pursuant to 12 U.S.C. 7.3025 and Examining Bulletin 80-14 (August 20, 1980). After the bank and its legal counsel have performed the requisite analysis for a specific project, you may submit a request to the appropriate district office for the bank for review.

Peter Liebesman
Assistant Director
Legal Advisory Services Division

ATTACHMENT A

June 29, 1990

The Valley National Bank of Arizona, Phoenix, Arizona, (the bank) seeks a no objection position from the staff of the Office of the Comptroller of the Currency with respect to the provisions of 12 U.S.C. 29 which detail the authority of a national bank to hold real estate. The bank's request relates to the ability of a national bank to act as a licensed contractor with respect to real estate which it holds under section 29. Under the provisions of section 29, a national bank may hold real estate only if it falls within one of four narrow categories. Generally real estate which is acquired through foreclosure or in satisfaction of a debt previously contracted and which is therefore designated as other real estate owned (OREO) may be held for a maximum of

five years. The national bank must actively attempt to dispose of the OREO during that period.

Section 29 expressly permits national banks to expend funds for the development and improvement of OREO as needed to enable the national bank to recover its total investment. Before expending such funds, the national bank must notify the Comptroller of the Currency. Any efforts by a national bank to develop and improve OREO will be subject to such conditions and limitations as the Comptroller of the Currency shall prescribe. Generally, the Comptroller of the Currency will not object to such activity when the national bank's failure to develop the OREO would cause a failure to realize full satisfaction of the debt. See for example, No Objection Letter No. 87-2, reprinted in Fed. Banking L. Rep. (CCH) paragraph 84031 (March 12, 1987); No Objection Letter No. 86-6, reprinted in Fed. Banking L. Rep. (CCH) paragraph 84012 (April 22, 1986). Under appropriate circumstances, the development of real estate is consistent with the purpose of section 29, which is to deter risky real estate speculations at the peril of bank depositors. *First National Bank of Bellaire v. Comptroller of the Currency*, 697 F.2d 674 (5th Cir. 1983). If the OREO in question is an unfinished construction or development project, 12 CFR 7.3025(j) expressly authorizes prudent advances to complete the project.

Under the laws of the state of Arizona, any person who undertakes to, or does by itself or through others, or directly or indirectly supervises others to construct or improve any building, development or improvement on real property must obtain a contractor's license. A.R.S. 32-1101 et seq. The owner of the property is not exempt from the licensing requirement unless the property is being improved with no intent to rent or sell. Accordingly, the bank is required to obtain a contractor's license in Arizona to develop or improve OREO unless it hires a licensed general contractor to handle the whole project. Without a contractor's license, the bank cannot directly hire subcontractors and specialty contractors to perform the work. Hiring a general contractor to complete developments or improvements on OREO, in many cases, increases the costs of preparing the OREO for sale, and, therefore, decreases the probability that the bank will recover the entire amount of its debt.

The situations in which the bank will need an Arizona contractor's license usually fall into two general categories:

- (1) The completion of planned improvements to OREO which are necessary to preserve its value;

(2) The completion of a building partially constructed on OREO.

Improvements to land may include site preparation, streets, sewers, curbs, gutters, utilities, re-zoning and platting of land necessary to maximize its value in subsequent sales. The improvements may have been planned but were not completed before the property was taken into OREO. Frequently, such improvements must be made to preserve a favorable zoning classification of the OREO. When OREO includes a partially completed building, there have usually been assignments of architectural, engineering, and construction contracts to the bank in connection with the foreclosure on the property. In many instances, Valley Bank could easily act as the general contractor to complete the project under the assigned contracts.

The bank respectfully requests that the legal staff confirm that it would not object to the bank obtaining an Arizona contractor's license for use in both of the above-described situations. In the event that one or the other situation would be objectionable to the staff, the bank requests a no objection position with respect to the permissible situation. The activities of the bank in developing or improving OREO, would be commenced only after notification to the Comptroller of the Currency pursuant to 12 U.S.C. 29. The bank would not engage as a contractor in activity other than the development and improvement of its OREO pursuant to section 29.

* * *

91-5 — November 5, 1991

This is in response to your request for a no objection position pursuant to Banking Circular 205. You have requested this no objection position regarding the acquisition and operation by Merchants National Bank & Trust Company of Indianapolis (bank) of Military Banking Facilities (MBFs) in the Republic of Panama. For the reasons set forth below, the OCC does not object to the acquisition or continued operation of the Panamanian MBFs.

The relevant facts are as follows. The MBFs are currently operated by American Express Bank Ltd. (AEB). On June 5, 1991, the bank was awarded a modification to its contract with the U.S. Department of Defense (DOD) to operate the Panamanian MBFs. Currently, the bank operates MBFs in Germany, Greece, The Netherlands, The United Kingdom, Iceland, The Republic of Korea, The Philippines, Diego Garcia, and Honolulu, Hawaii. The OCC previously provided a no objection position

for the bank's acquisition of MBFs in those locations from AEB. See letter to Stephen L. Smith from James M. Kane dated August 9, 1989. These MBFs were awarded to the bank by contract with DOD. The contract provided that the bank would be designated by the Secretary of the Treasury as a "Depository and Financial Agent of the U.S. Government" pursuant to 12 U.S.C. 90. The contract was modified on June 5, 1991, to add the authority to transfer the MBFs in Panama from AEB to the bank.

Pursuant to 12 U.S.C. 90, national banks may be designated by the Secretary of the Treasury to be "depositaries of public money and financial agents of the Government" and, as such, are authorized to "perform all such reasonable duties . . . as may be required of them." The fifth circuit, in rejecting the claim that national banks designated by the Secretary of the Treasury as depositaries are subject to the branching restrictions of 12 U.S.C. 36, and of the Texas Constitution, held that, section 90 is an "independent statute" which "must stand alone." *State of Texas v. National Bank of Commerce of San Antonio, et.al.* 290 F. 2d 229 (5th Cir. 1961), cert. denied 368 U.S. 832. Therefore, it is not necessary for the OCC to rule on an application or a request for approval for the Bank to engage in activities pursuant to its designation as a depository of public money and financial agent of the Government. Accordingly, we have no objection to the bank's proposal to acquire and operate the MBFs in the Republic of Panama.

Coreen S. Arnold
Senior Attorney
Central District

ATTACHMENT A

September 18, 1991

I am in-house counsel to Merchants National Bank & Trust Company of Indianapolis (Merchants). I am writing this letter to obtain a no objection within the meaning of Banking Circular 205.

Merchants is headquartered in Indianapolis, Indiana. It is a full-service commercial and retail bank and a subsidiary of Merchants National Corporation (MNC), an Indiana bank holding company. MNC owns 15 additional banks and other non-banking subsidiaries engaged in investment counselling, mortgage banking and other activities closely related to banking. As of June 30, 1991, Merchants had total assets of \$3,599,297,000, total deposits of \$2,306,208,000 and shareholders' equity of \$203,372,000. These same amounts for MNC as of June 30, 1991 were

\$570,000, \$441,079.00 and \$347,725,000, respectively.

In 1991 Merchants was awarded a modification to its contract with the U.S. Department of Defense- Defense Supply Service (the modification) to operate Military Banking Facilities (the MBFs) in the Republic of Panama. The modification amends an existing Department of Defense- Defense Supply Service Contract (DOD contract) under which Merchants currently operates MBFs in Germany, Greece, The Netherlands, The United Kingdom, Iceland, The Republic of Korea, The Philippines, Diego Garcia, and an operations center in Honolulu, Hawaii. A copy of the modification is enclosed with this letter; however, there are certain operational changes which are currently the subject of negotiation between Merchants and DOD. These changes may require an amendment to the modification. You received a copy of the DOD contract with a letter dated August 2, 1989, from Merchants's in-house legal counsel Stephen L. Smith; should you require another copy, please so advise. The MFBs's overseas installations are designated by the United States Department of Defense to provide banking services to military disbursing officers, nonappropriated fund instrumentalities, authorized military and dependent personnel, and American dependent MBF employees. The banking services and activities are described in the contract and consist generally of providing checking and savings accounts, certificates of deposit, cashier's checks and drafts, money orders and travelers' checks; selling and redeeming U.S. savings bonds, cashing checks, making secured and unsecured personal loans, and other retail banking services. In addition, Merchants will perform all acts necessary and convenient to providing these banking services.

The MBFs are currently operated by American Express Bank Ltd., a Connecticut corporation which is not a bank (AEB), under contract with the Department of Defense. AEB is not an insured bank within the meaning of 12 USC 1813(h). The closing for the transfer of operation of the Panama MBFs from AEB to Merchants will occur on either December 1 or December 2, 1991. Merchants and AEB are in the process of negotiating an agreement covering the principal aspects of the transition. At the time of the transition, AEB will transfer to Merchants all of the respective assets carried on its balance sheet which are related to the MBFs and assets which have been expensed (except for any receivable from the DOD payable to AEB and any other customer account carried on the books of account of AEB or any of its affiliates). At the time of the transition, Merchants will assume all of the respective liabilities carried by AEB on its balance sheet and which are AEB's liabilities related to the MBFs, except for any other customer account carried on the books of account of AEB or any

of its affiliates). The total Panama MFB assets which are to be assumed from AEB by Merchants at the time of the transition will be approximately \$37,962,000.

The transition will, for all practical purposes, be a purchase and assumption transaction priced at net book value. The transition, however, is directed by the Department of Defense under its contract with AEB and under a letter dated June 6, 1991, to AEB from the administrative contracting officer for the Department of Defense. A copy of that letter is enclosed with this letter. Merchants's right to own the MBF assets and operate the MBFs is in all respects subject to its contract.

Merchants will be designated by the Secretary of the Treasury as a depository of public money under 12 USC 90 and all of the acts it performs to operate the MBFs under its contract will be as a financial agent of the United States of America or as required or allowed in connection with its designation by the Secretary of the Treasury.

In our view, the action Merchants will take at the time of the transitions and thereafter pursuant to its contract to operate the MBFs will be solely as a result of the authority exercised by the Secretary of the Treasury under 12 USC 90. All other banking laws which on their face may apply to this transaction do not apply because "Congress . . . long apprised of this construction . . . has failed to enact legislation specifically repudiating this practice or placing the practice in a definite legislative scheme . . . [and] has given its tacit approval to such facilities." *State of Texas v. Nat'l Bank of Commerce of San Antonio*, 290 F.2d 229, 233 (5th Cir. 1961), cert. denied 368 U.S. 832. Merchants has been advised by the Office of the Comptroller of the Currency (Chicago Region Office) that no application with the OCC will be required in these transactions and it has requested a "no objection letter" from the OCC to that effect. Further, Merchants has filed an application with the Federal Deposit Insurance Corporation with respect to its assumption of uninsured deposits from AEB relating to the MBFs.

I would like the staff to concur in our view that the Office of the Comptroller of the Currency either has no right or power, or declines to exercise any right or power, to subject this transaction by Merchants to its regulatory authority to approve or disapprove the transactions. By letter dated August 2, 1989, Merchants, through its in-house counsel, Stephen L. Smith, requested a similar concurrence with respect to the operation of Military Banking Facilities by Merchants in the U.K., Iceland, The Republic of Korea, The Philippines, Diego Garcia, and an operations center in Honolulu, Hawaii. You responded by letter dated August 9, 1989, a copy of which is enclosed. If your position is the same, I believe

that a similar letter with regard to Panama would be appropriate. I would appreciate hearing from you at your earliest convenience. Thank you and if you have any questions or comments, please let me know.*

Melinda Hoover
Vice President and
Senior Associate Counsel
One Merchants Plaza
Indianapolis, Indiana 46255

*Additional material is deleted. Copies may be obtained from the Communications Division, Washington, D.C.

lateral received, or other assets acquired by investing the cash collateral, should be shown as a fund asset with an offsetting liability recorded for the amount due to others in conjunction with these transactions. Also the securities loaned should continue to be included as an asset of the fund. This accounting treatment is required for banks and investment companies.

The policy in Banking Circular 196 you refer to relates to the recording of the liability. That is, the bank records a deposit liability for the amount of the cash collateral received. When recording the liability, an offsetting asset must be recorded as set forth above.

With respect to your concerns regarding the status of the borrower's ownership interest in the collateral, you may want to disclose in the footnotes to the financial statements that cash collateral is received by the fund in connection with its securities lending activities and that it has a beneficial ownership interest in the collateral held. This should enable financial statement users to assess the risk to which the fund is exposed relating to security lending activities.

Zane D. Blackburn
Chief Accountant

* * *

Trust Interpretations

261 — June 19, 1991

I am responding to your letter regarding the accounting for collective investment funds maintained by *** (***) . *** operates a number of funds. Some of these funds engage in security lending on behalf of participants. Specifically you question whether the collateral received for security lending should be reflected as an asset in the financial statements of the fund.

The accounting for security lending transactions is similar to a financing transaction. Thus the cash col-

Mergers — October 1 to December 31, 1991

Mergers consummated involving two or more operating banks.

	Page		Page
California			
October 18, 1991			
Mid City Bank, National Association, Brea, California, and		FirstBank at Arapahoe/Holly, National Association	Littleton
Mission Valley Bank, National Association, San Clemente,		Colorado and	
California		FirstBank at Arapahoe/Yosemite, Englewood, Colorado	
Merger	91	Merger	
Colorado		December 15, 1991.	
November 1, 1991.		The Colorado National Bank of Denver, Denver, Colorado, and	
Bank of Breckenridge, National Association, Breckenridge,		Colorado National Bank-Boulevard, Denver, Colorado, and	
Colorado, and		Colorado National Bank-Northeast, Denver, Colorado, and	
The Bank of Fairplay, Fairplay, Colorado		Colorado National Bank-South, Denver, Colorado, and	
Merger	91	Colorado National Bank-Tech Center, Denver, Colorado, and	
Bank of Breckenridge, National Association, Breckenridge,		Colorado National Bank-Boulder, Boulder, Colorado, and	
Colorado, and		Colorado National Bank-Aurora, Aurora, Colorado, and	
Summit County Bank, Frisco, Colorado		Colorado National Bank-Arapahoe, Littleton, Colorado, and	
Merger	91	Colorado National Bank-Southwest, Littleton, Colorado, and	
November 15, 1991.		Colorado National Bank-Lakewood, Lakewood, Colorado, and	
Affiliated National Bank-Loveland, Loveland, Colorado, and		Colorado National Bank-Arvada, Arvada, Colorado, and	
Affiliated National Bank-Westlake, Loveland, Colorado		Colorado National Bank-Evergreen, Evergreen, Colorado, and	
Merger	91	Colorado National Bank-Golden, Golden, Colorado	
December 9, 1991.		Merger	93
FirstBank of Boulder, National Association, Boulder, Colorado, and		December 31, 1991.	
FirstBank at 30th/Arapahoe, National Association, Boulder,		Central Bank Denver, National Association, Denver, Colorado,	
Colorado, and		and	
FirstBank of Table Mesa, National Association, Boulder,		Central Bank Westminster, National Association, Westminster,	
Colorado		Colorado, and	
Merger	91	Central Bank Greeley, National Association, Greeley, Colorado,	
FirstBank at 88th/Wadsworth, National Association,		and	
Westminster, Colorado, and		Central Bank Centennial, National Association, Littleton,	
FirstBank at 120th/Colorado, National Association, Thornton,		Colorado, and	
Colorado		Central Bank Chatfield, National Association, Littleton,	
Merger	92	Colorado, and	
FirstBank of Tech Center, National Association, Greenwood		Central Bank Aurora, National Association, Aurora, Colorado,	
Village, Colorado, and		and	
FirstBank of Southmoor Park, National Association, Denver,		Central Bank Academy Boulevard, National Association,	
Colorado		Colorado Springs, Colorado, and	
Merger	92	Central Bank Colorado Springs, National Association, Colorado	
FirstBank of Villa Italia, National Association, Lakewood,		Springs, Colorado, and	
Colorado, and		Central Bank Garden of the Gods, National Association,	
FirstBank of Green Mountain, National Association, Lakewood,		Colorado Springs, Colorado, and	
Colorado		Central Bank Broomfield, National Association, Broomfield,	
Merger	92	Colorado	
FirstBank of Aurora, National Association, Aurora, Colorado,		Merger	93
and			
FirstBank at Chambers/Mississippi, National Association,			
Aurora, Colorado, and			
FirstBank at Buckley/Quincy, National Association, Aurora,			
Colorado			
Merger	92		
FirstBank of Wheat Ridge, National Association, Wheat Ridge,			
Colorado, and			
FirstBank of Edgewater, National Association, Edgewater,			
Colorado			
Merger	92		
FirstBank of Republic Plaza, National Association, Denver,			
Colorado, and			
FirstBank at 9th/Corona, National Association, Denver, Colorado			
Merger	92		
FirstBank of North Longmont, National Association, Longmont,			
Colorado, and			
FirstBank of South Longmont, National Association, Longmont,			
Colorado			
Merger	93		
Florida			
November 1, 1991.			
NBD Trust Company of Florida, National Association, North			
Palm Beach, Florida, and			
First Fidelity Trust, National Association, Florida, Boca Raton,			
Florida			
Merger			94
November 15, 1991.			
Northern Trust Bank of Florida, National Association, Miami,			
Florida, and			
Northern Trust Bank of Florida/Naples, National Association,			
Naples, Florida			
Merger			94
Georgia			
November 6, 1991			
First National Bank of Newton County, Covington, Georgia and			
The Citizens Bank of Newton County, Covington, Georgia			
Merger			94
December 31, 1991			
Bank South, National Association, Atlanta, Georgia, and			
Bank South, Douglas, Douglas, Georgia, and			
Bank South, Fitzgerald, Fitzgerald, Georgia, and			

	Page		Page
Bank South Macon, Macon, Georgia and Bank South Jasper County National Association, Monticello, Georgia and		Michigan	
Bank South Houston County National Association, Perry, Georgia and		October 28, 1991	
Bank South Washington County, Tennille, Georgia and Bank South Waycross, Waycross, Georgia Merger	94	Manufacturers National Bank of Detroit, Detroit, Michigan and Manufacturers National Bank of Grand Rapids, Grand Rapids, Michigan, and	
Illinois		Manufacturers Bank of Lansing, Lansing, Michigan Merger	96
October 1, 1991		November 11, 1991	
First of America Bank-Springfield National Association, Springfield, Illinois, and		MFC First National Bank, Marquette, Michigan, and MFC First National Bank, Ishpeming, Michigan Merger	97
Morgan County Community Bank, Jacksonville, Illinois Merger	94		
October 25, 1991			
Columbia National Bank of Chicago, Chicago, Illinois, and Columbia National Bank-Belmont, Chicago, Illinois Merger	95		
November 1, 1991			
NBD Skokie Bank, National Association, Skokie, Illinois, and NBD Delaware Bank, Newark, Delaware Merger	95		
December 9, 1991			
First National Bank of Sterling, Sterling, Illinois, and Rock Falls National Bank, Rock Falls, Illinois Merger	95		
December 31, 1991			
First National Bank in Dekalb, Dekalb, Illinois, and Colonial Bank of Sycamore, Sycamore, Illinois Merger	95		
The First National Bank of Chicago, Chicago, Illinois, and First Chicago Bank of Lincoln Park, Chicago, Illinois Merger	95		
Kansas			
October 18, 1991:			
Blue Valley National Bank, Marysville, Kansas, and Exchange Bank of Schmidt & Koester, Marysville, Kansas Merger	95		
December 6, 1991			
The Farmers & Drovers National Bank, Marion, Kansas, and The Durham State Bank, Durham, Kansas Merger	96		
December 31, 1991			
Bank IV Wichita National Association, Wichita, Kansas, and Bank IV Butler County, National Association, El Dorado, Kansas, and			
Bank IV Emporia National Association, Emporia, Kansas, and Bank IV Garden City, National Association, Garden City, Kansas, and			
Bank IV Great Bend National Association, Great Bend, Kansas, and			
Bank IV Hays National Association, Hays, Kansas, and Bank IV McPherson, National Association, McPherson, Kansas, and			
Bank IV Newton, National Association, Newton, Kansas, and Bank IV Montgomery County, National Association, Coffeyville, Kansas, and			
Bank IV Pittsburg National Association, Pittsburg, Kansas, and Bank IV Salina National Association, Salina, Kansas, and			
Bank IV Kansas City National Association, Olathe, Kansas, and Bank IV Topeka National Association, Topeka, Kansas Merger	96		
Louisiana			
October 30, 1991			
First National Bank in Saint Mary Parish, Morgan City, Louisiana, and			
Bank of the South, Baton Rouge, Louisiana Merger	96		
Michigan			
October 28, 1991			
Manufacturers National Bank of Detroit, Detroit, Michigan and Manufacturers National Bank of Grand Rapids, Grand Rapids, Michigan, and			
Manufacturers Bank of Lansing, Lansing, Michigan Merger			
November 11, 1991			
MFC First National Bank, Marquette, Michigan, and MFC First National Bank, Ishpeming, Michigan Merger			
Missouri			
December 9, 1991:			
The Boatmen's National Bank of Springfield, Springfield, Missouri, and			
Boatmen's Mountain Grove National Bank, Mountain Grove, Missouri Merger			97
New Jersey			
December 1, 1991:			
Amboy Madison National Bank, Old Bridge, New Jersey, and Amboy National Bank, Rocky Hill, New Jersey Merger			97
Ohio			
November 12, 1991:			
The Fifth Third Bank of Toledo, National Association, Toledo, Ohio, and			
The Fifth Third Bank of Northwestern Ohio, National Association, Findlay, Ohio Merger			97
November 25, 1991:			
The Fifth Third Bank of Miami Valley, National Association, Piqua, Ohio, and			
The Fifth Third Bank of Western Ohio, National Association, Wapakoneta, Ohio Merger			97
December 7, 1991:			
Bank One, Lima, National Association, Lima, Ohio, and Bank One, Wapakoneta National Association, Wapakoneta, Ohio Merger			97
December 31, 1991:			
National City Bank, Akron, Akron, Ohio, and National City Bank Northeast, Columbiana, Ohio Merger			98
Oklahoma			
October 1, 1991			
Stroud National Bank, Stroud, Oklahoma, and The Wellston State Bank, Wellston, Oklahoma Merger			98
November 22, 1991:			
The American National Bank and Trust Company of Sapulpa, Sapulpa, Oklahoma, and			
American Bank, Beggs, Oklahoma Merger			98
November 23, 1991			
The Peoples National Bank of Kingfisher, Kingfisher, Oklahoma, and			
The First National Bank of Geary, Geary, Oklahoma Merger			98
Pennsylvania			
October 1, 1991			
Mellon Bank, National Association, Greensburg, Pennsylvania and			
Mellon Bank (North) National Association, Oil City, Pennsylvania Merger			98

	Page
Mellon Bank, National Association, Greensburg, Pennsylvania, and Mellon Bank (Central), National Association, State College, Pennsylvania	
Merger	98
Mellon Bank, National Association, Greensburg, Pennsylvania, and The Commonwealth National Bank, Harrisburg, Pennsylvania	
Merger	98
November 8, 1991	
The McDowell National Bank of Sharon, Sharon, Pennsylvania, and Pennbank, Warren, Pennsylvania, and First Seneca Bank, Oil City, Pennsylvania	
Merger	99
South Carolina	
October 31, 1991:	
NCNB National Bank of South Carolina, Columbia, South Carolina, and Old Colony Trust Company of South Carolina, National Association, Hilton Head, South Carolina	
Merger	99
Texas	
October 1, 1991:	
Northern Trust Bank of Texas, National Association, Dallas, Texas, and	
The Northern Trust Company of Texas, Houston, Texas Merger	99
November 1, 1991	
First National Bank of Temple, Temple, Texas and First National Bank of Temple-South Temple, Texas Merger	99
November 14, 1991	
The First National Bank in Joshua, Joshua, Texas and Alvarado National Bank, Alvarado, Texas Merger	99
December 6, 1991	
Meadowbrook National Bank, Fort Worth, Texas, and Arlington State Bank, Arlington, Texas, and Bank of North Texas, North Richland Hills, Texas Merger	99
December 31, 1991:	
The Commercial National Bank of Beeville, Beeville, Texas, and The First State Bank of Mathis, Mathis, Texas Merger	100
Citizens National Bank of Henderson, Henderson, Texas, and Merchants State Bank, Mount Enterprise, Texas Merger	100
Utah	
December 26, 1991	
First Security Bank of Utah, National Association, Odgen, Utah, and Utah Bank & Trust, Bountiful, Utah Merger	100

Mergers consummated involving national banks and savings and loan associations.

	Page	Page
Alabama		
December 1991		
The First National Bank of Alexander City, Alexander City, Alabama and		
A First Bank for Savings F.S.B., Alexander City, Alabama		
Merger	100	
Kansas		
October 28, 1991		
The Farmers & Drovers National Bank of Marion, Marion, Kansas, and		
First Federal Savings Association, Newton, Kansas		
Merger	100	
Central National Bank-Newton, Newton, Kansas, and		
First Federal Savings Association, Newton, Kansas		
Merger	100	
Kentucky		
November 22, 1991		
Pikeville National Bank & Trust Company, Pikeville, Kentucky, and		
United Savings Bank, F.S.B., Prestonsburg, Kentucky		
Merger	100	
Louisiana		
November 1, 1991.		
First Acadiana National Bank, Opelousas, Louisiana, and		
Vermilion Federal Savings Bank, Abbeville, Louisiana		
Merger	101	
Mississippi		
October 25, 1991		
First Tennessee Bank National Association, Mississippi, Southaven, Mississippi, and		
Mercantile Federal Savings Bank, Southaven, Mississippi		
Merger	101	
New Jersey		
October 4, 1991		
Cherry Hill National Bank, Medford, New Jersey, and		
Riverside Savings Bank, Riverside, New Jersey		
Merger	101	
Sun National Bank, Medford, New Jersey, and		
Riverside Savings Bank, Riverside, New Jersey		
Merger	101	
October 11, 1991		
United Jersey Bank/South, National Association, Cherry Hill, New Jersey and		
Empire Savings Bank, F.S.B., Hammonton, New Jersey		
Merger	101	
October 18, 1991		
Valley National Bank, Passaic, New Jersey, and		
Yorkwood Federal Savings and Loan Association, Maplewood, New Jersey		
Merger	101	
	<i>Warren County</i>	
	101	
North Dakota		
November 1, 1991		
First National Bank North Dakota, Grand Forks, North Dakota and		
New National Bank North Dakota, Fargo, North Dakota, and		
First Federal Savings of Fargo, Fargo, North Dakota		
Merger		102
Pennsylvania		
October 11, 1991.		
Pittsburgh National Bank, Pittsburgh, Pennsylvania, and		
Colony Federal Savings Bank, Wexford, Pennsylvania		
Merger		102
November 15, 1991:		
Southwest National Bank of Pennsylvania, Greensburg, Pennsylvania, and		
Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania		
Merger		102
First National Bank of Herminie, Herminie, Pennsylvania, and		
Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania		
Merger		102
Integra National Bank/South, Uniontown, Pennsylvania, and		
Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania		
Merger		102
Integra National Bank/Pittsburgh, Pittsburgh, Pennsylvania, and		
Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania		
Merger		102
Fidelity Bank, National Association, Philadelphia, Pennsylvania, and		
Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania		
Merger		103
December 31, 1991. <i>342 441</i>		
First Citizens National Bank, Mansfield, Pennsylvania, and		
Star Savings and Loan Association, Sayre, Pennsylvania		
Merger	103	
West Virginia		
October 18, 1991:		
One Valley Bank, National Association, Charleston, West Virginia, and		
Atlantic Financial Federal-West Virginia, Parkersburg, West Virginia		
Merger		103
One Valley Bank of Ronceverte, National Association, Ronceverte, West Virginia, and		
Atlantic Financial Federal-West Virginia, Parkersburg, West Virginia		
Merger		103

A number of transactions in this section do not have an accompanying decision. In those cases the OCC reviewed the competitive effects of the proposals by using its standard procedures for determining whether the transaction has minimal or no adverse competitive effects. The OCC found the proposals satisfied its criteria for transactions that clearly had no or minimal adverse competitive effects.

**MID CITY BANK, NATIONAL ASSOCIATION,
Brea, California, and Mission Valley Bank, National Association, San Clemente, California**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Mid City Bank, National Association, Brea, California (17732), with and Mission Valley Bank, National Association, San Clemente, California (17823), with merged October 18, 1991, under charter and title of the former. The merged bank at date of merger had	\$103,690,000 — —

**BANK OF BRECKENRIDGE, NATIONAL ASSOCIATION,
Breckenridge, Colorado, and The Bank of Fairplay, Fairplay, Colorado**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Bank of Breckenridge, National Association, Breckenridge, Colorado (17939), with and The Bank of Fairplay, Fairplay, Colorado, with merged November 1, 1991, under charter 17939 and title "Mountain Parks National Bank." The merged bank at date of merger had	\$44,027,000 9,181,000 53,192,000

**BANK OF BRECKENRIDGE, NATIONAL ASSOCIATION,
Breckenridge, Colorado, and Summit County Bank, Frisco, Colorado**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Bank of Breckenridge, National Association, Breckenridge, Colorado (17939), with and Summit County Bank, Frisco, Colorado, with merged November 1, 1991, under charter 17939 and title "Mountain Parks National Bank." The merged bank at date of merger had	\$44,027,000 14,383,000 61,757,000

**AFFILIATED NATIONAL BANK-LOVELAND,
Loveland, Colorado, and Affiliated National Bank-Westlake, Loveland, Colorado**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Affiliated National Bank-Loveland, Loveland, Colorado (13624), with and Affiliated National Bank-Westlake, Loveland, Colorado (15436), with merged November 15, 1991, under charter and title of the former. The merged bank at date of merger had	\$134,287,000 42,346,000 176,633,000

**FIRSTBANK OF BOULDER, NATIONAL ASSOCIATION,
Boulder, Colorado, and FirstBank at 30th/Arapahoe, National Association, Boulder, Colorado, and FirstBank of Table Mesa, National Association, Boulder, Colorado**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
FirstBank of Boulder, National Association, Boulder, Colorado (16465), with and FirstBank at 30th/Arapahoe, National Association, Boulder, Colorado (21680), with and FirstBank of Table Mesa, National Association, Boulder, Colorado (21677), with merged December 9, 1991, under charter 16465 and title "FirstBank of Boulder, National Association." The merged bank at date of merger had	\$55,553,000 5,228,000 3,807,000 64,588,000

Real mergers include the merger, consolidation, or purchase and assumption of operating banks or savings and loan associations or branches of operating banks or savings and loan associations where the resulting bank is a national bank.

FIRSTBANK AT 88TH WADSWORTH, NATIONAL ASSOCIATION,
Westminster, Colorado, and FirstBank at 120th Colorado, National Association, Thornton, Colorado

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
FirstBank at 88th Wadsworth National Association, Westminster, Colorado (20903), with and FirstBank at 120th Colorado, National Association, Thornton, Colorado (21682), with merged December 9, 1991, under charter and title of the former. The merged bank at date of merger had	\$26,690,000 3,482,000 30,172,000

FIRSTBANK OF TECH CENTER, NATIONAL ASSOCIATION,
Greenwood Village, Colorado, and FirstBank of Southmoor Park, National Association, Denver, Colorado

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
FirstBank of Tech Center, National Association, Greenwood Village, Colorado (17460), with and FirstBank of Southmoor Park, National Association, Denver, Colorado (21674), with merged December 9, 1991, under charter and title of the former. The merged bank at date of merger had	\$70,676,000 3,321,000 73,997,00

FIRSTBANK OF VILLA ITALIA, NATIONAL ASSOCIATION,
Lakewood, Colorado, and FirstBank of Green Mountain, National Association, Lakewood, Colorado

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
FirstBank of Villa Italia, National Association, Lakewood, Colorado (17037), with and FirstBank of Green Mountain, National Association, Lakewood, Colorado (21678), with merged December 9, 1991, under charter and title of the former. The merged bank at date of merger had	\$31,435,000 4,666,000 36,101,000

FIRSTBANK OF AURORA, NATIONAL ASSOCIATION,
Aurora, Colorado, and FirstBank at Chambers/Mississippi, National Association, Aurora, Colorado, and FirstBank
at Buckley/Quincey, National Association, Aurora, Colorado

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
FirstBank of Aurora, National Association, Aurora, Colorado (17526), with and FirstBank at Chambers/Mississippi, National Association, Aurora, Colorado (21681), with and FirstBank at Buckley/Quincey, National Association, Aurora, Colorado (21679), with merged December 9, 1991, under charter 17526 and title "FirstBank of Aurora, National Association." The merged bank at date of merger had	\$27,551,000 5,051,000 10,168,000 42,770,000

FIRSTBANK OF WHEAT RIDGE, NATIONAL ASSOCIATION,
Wheat Ridge, Colorado, and FirstBank of Edgewater, National Association, Edgewater, Colorado

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
FirstBank of Wheat Ridge, National Association, Wheat Ridge, Colorado (15763), with and FirstBank of Edgewater, National Association, Edgewater, Colorado (21673), with merged December 9, 1991 under charter and title of the former. The merged bank at date of merger had	\$87,142,000 2,858,000 90,000,000

FIRSTBANK OF REPUBLIC PLAZA, NATIONAL ASSOCIATION,
Denver, Colorado, and FirstBank at 9th/Corona, National Association, Denver, Colorado

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
FirstBank of Republic Plaza, National Association, Denver, Colorado (18751), with and FirstBank at 9th/Corona, National Association, Denver, Colorado (21675), with merged December 9, 1991, under charter and title of the former. The merged bank at date of merger had	\$20,163,000 3,910,000 24,073,000

**FIRSTBANK OF NORTH LONGMONT, NATIONAL ASSOCIATION,
Longmont, Colorado, and FirstBank of South Longmont, National Association, Longmont, Colorado**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
FirstBank of North Longmont, National Association, Longmont, Colorado (15987), with and FirstBank of South Longmont, National Association, Longmont, Colorado (16704), with merged December 9, 1991, under charter and title of the former. The merged bank at date of merger had	\$46,238,000 30,227,000 76,465,000

**FIRSTBANK AT ARAPAHOE/HOLLY, NATIONAL ASSOCIATION,
Littleton, Colorado, and FirstBank at Arapahoe/Yosemite, Englewood, Colorado**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
FirstBank at Arapahoe/Holly, National Association, Littleton, Colorado (21676), with and FirstBank at Arapahoe/Yosemite, Englewood, Colorado, with merged December 9, 1991, under charter and title of the former. The merged bank at date of merger had	\$3,847,000 26,225,000 30,072,000

**THE COLORADO NATIONAL BANK OF DENVER,
Denver, Colorado, and Colorado National Bank-Boulevard, Denver, Colorado, and Colorado National
Bank-Northeast, Denver, Colorado, and Colorado National Bank-South, Denver, Colorado, and Colorado National
Bank-Tech Center, Denver, Colorado, and Colorado National Bank-Boulder, Boulder, Colorado, and Colorado
National Bank-Aurora, Aurora, Colorado, and Colorado National Bank-Arapahoe, Littleton, Colorado, and
Colorado National Bank-Southwest, Littleton, Colorado, and Colorado National Bank-Lakewood, Lakewood,
Colorado, and Colorado National Bank-Arvada, Arvada, Colorado, and Colorado National Bank-Evergreen,
Evergreen, Colorado, and Colorado National Bank-Golden, Golden, Colorado**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The Colorado National Bank of Denver, Denver, Colorado (1651), with and Colorado National Bank-Boulevard, Denver, Colorado (15111), with and Colorado National Bank-Northeast, Denver, Colorado (15114), with and Colorado National Bank-South, Denver, Colorado (15326), with and Colorado National Bank-Tech Center, Denver, Colorado (17474), with and Colorado National Bank-Boulder, Boulder, Colorado (15245), with and Colorado National Bank-Aurora, Aurora, Colorado (16478), with and Colorado National Bank-Arapahoe, Littleton, Colorado (15885), with and Colorado National Bank-Southwest, Littleton, Colorado (17655), with and Colorado National Bank-Lakewood, Lakewood, Colorado (15695), with and Colorado National Bank-Arvada, Arvada, Colorado (17473), with and Colorado National Bank-Evergreen, Evergreen, Colorado (15786), with and Colorado National Bank-Golden, Golden, Colorado (17476), with merged December 15, 1991, under charter 1651 and title "Colorado National Bank." The merged bank at date of merger had	\$1,444,184,000 107,502,000 55,927,000 54,460,000 117,012,000 97,991,000 57,582,000 76,200,000 52,799,000 83,436,000 95,070,000 68,133,000 53,279,000 2,153,917,000

**CENTRAL BANK DENVER, NATIONAL ASSOCIATION,
Denver, Colorado, and Central Bank Westminster, National Association, Westminster, Colorado, and Central
Bank Greeley, National Association, Greeley, Colorado, and Central Bank Centennial, National Association,
Littleton, Colorado, and Central Bank Chatfield, National Association, Littleton, Colorado, and Central Bank
Aurora, National Association, Aurora, Colorado, and Central Bank Academy Boulevard, National Association,
Colorado Springs, Colorado, and Central Bank Colorado Springs, National Association, Colorado Springs,
Colorado, and Central Bank Garden of the Gods, National Association, Colorado Springs, Colorado, and Central
Bank Broomfield, National Association, Broomfield, Colorado**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Central Bank Denver, National Association, Denver, Colorado (21860), with and Central Bank Westminster, National Association, Westminster, Colorado (20262), with and Central Bank Greeley, National Association, Greeley, Colorado (21866), with and Central Bank Centennial, National Association, Littleton, Colorado (18386), with and Central Bank Chatfield, National Association, Littleton, Colorado (21869), with and Central Bank Aurora, National Association, Aurora, Colorado (21867), with and Central Bank Academy Boulevard, National Association, Colorado Springs, Colorado (21871), with and Central Bank Colorado Springs, National Association, Colorado Springs, Colorado (21870), with and Central Bank Garden of the Gods, National Association, Colorado Springs, Colorado (18420), with	\$949,731,000 25,352,000 23,104,000 18,569,000 51,457,000 46,361,000 42,189,000 98,995,000 19,193,000

and Central Bank Broomfield National Association, Broomfield, Colorado (21865), with merged December 31 1991 under charter 21860 and title "Central Bank, National Association" The merged bank at date of merger had	36,327,000
	1,259,771,000

NBD TRUST COMPANY OF FLORIDA, NATIONAL ASSOCIATION
North Palm Beach, Florida, and First Fidelity Trust, National Association, Florida, Boca Raton, Florida

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
NBD Trust Company of Florida, National Association, North Palm Beach, Florida (17391), with	\$1,056,000
and First Fidelity Trust, National Association, Florida, Boca Raton, Florida (17912), with	1,899,000
merged November 1, 1991, under charter and title of the former. The merged bank at date of merger had	3,310,000

NORTHERN TRUST BANK OF FLORIDA, NATIONAL ASSOCIATION,
Miami, Florida, and Northern Trust Bank of Florida/Naples, National Association, Naples, Florida

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Northern Trust Bank of Florida, National Association, Miami, Florida (17487), with	\$713,763,000
and Northern Trust Bank of Florida/Naples, National Association, Naples, Florida (17723), with	140,706,000
merged November 15, 1991, under charter and title of the former. The merged bank at date of merger had	854,280,000

FIRST NATIONAL BANK OF NEWTON COUNTY,
Covington, Georgia, and The Citizens Bank of Newton County, Covington, Georgia

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First National Bank of Newton County, Covington, Georgia (15148), with	\$93,520,000
and The Citizens Bank of Newton County, Covington, Georgia, with	7,231,000
merged November 6, 1991, under charter and title of the former. The merged bank at date of merger had	100,751,000

BANK SOUTH, NATIONAL ASSOCIATION,
Atlanta, Georgia, and Bank South, Douglas, Douglas, Georgia, and Bank South, Fitzgerald, Fitzgerald, Georgia,
and Bank South, Macon, Macon, Georgia, and Bank South, Jasper County, National Association, Monticello,
Georgia, and Bank South, Houston County, National Association, Perry, Georgia, and Bank South, Washington
County, Tennille, Georgia, and Bank South, Waycross, Waycross, Georgia

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Bank South, National Association, Atlanta, Georgia (9617), with	\$3,843,621,000
and Bank South, Douglas, Douglas, Georgia, with	52,213,000
and Bank South, Fitzgerald, Fitzgerald, Georgia, with	60,228,000
and Bank South, Macon, Macon, Georgia, with	423,129,000
and Bank South, Jasper County, National Association, Monticello, Georgia (9329), with	45,869,000
and Bank South, Houston County, National Association, Perry, Georgia (15373), with	116,198,000
and Bank South, Washington County, Tennille, Georgia, with	51,925,000
and Bank South, Waycross, Waycross, Georgia, with	166,650,000
merged December 31, 1991, under charter 9617 and title "Bank South, National Association." The merged bank at date of merger had	4,584,822,000

FIRST OF AMERICA BANK-SPRINGFIELD, NATIONAL ASSOCIATION,
Springfield, Illinois, and Morgan County Community Bank, Jacksonville, Illinois

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First of America Bank Springfield National Association, Springfield, Illinois (3548), with	\$443,206,000
and Morgan County Community Bank, Jacksonville, Illinois, with	38,377,000
merged October 1 1991 under charter and title of the former. The merged bank at date of merger had	508,302,000

COLUMBIA NATIONAL BANK OF CHICAGO,
Chicago, Illinois, and Columbia National Bank-Belmont, Chicago, Illinois

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Columbia National Bank of Chicago, Chicago, Illinois (15260), with	\$508,302,000
and Columbia National Bank-Belmont, Chicago, Illinois (22421), with	65,658,000
merged October 25, 1991, under charter and title of the former. The merged bank at date of merger had	582,091,000

NBD SKOKIE BANK, NATIONAL ASSOCIATION,
Skokie, Illinois, and NBD Delaware Bank, Newark, Delaware

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
NBD Skokie Bank, National Association, Skokie, Illinois (14555), with	\$446,378,000
and NBD Delaware Bank, Newark, Delaware, with	285,864,000
merged November 1, 1991, under charter and title of the former. The merged bank at date of merger had	723,948,000

FIRST NATIONAL BANK OF STERLING,
Sterling, Illinois, and Rock Falls National Bank, Rock Falls, Illinois

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First National Bank of Sterling, Sterling, Illinois (13963), with	\$111,850,000
and Rock Falls National Bank, Rock Falls, Illinois (14520), with	51,037,000
merged December 9, 1991, under charter 13963 and title "First National Bank of Sterling-Rock Falls." The merged bank at date of merger had	162,887,000

FIRST NATIONAL BANK IN DE KALB,
De Kalb, Illinois, and Colonial Bank of Sycamore, Sycamore, Illinois

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First National Bank in De Kalb, De Kalb, Illinois (14008), with	\$144,643,000
and Colonial Bank of Sycamore, Sycamore, Illinois, with	4,485,000
merged December 31, 1991, under charter and title of the former. The merged bank at date of merger had	144,643,000

THE FIRST NATIONAL BANK OF CHICAGO,
Chicago, Illinois, and First Chicago Bank of Lincoln Park, Chicago, Illinois

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The First National Bank of Chicago, Chicago, Illinois (8), with	\$41,349,004,000
and First Chicago Bank of Lincoln Park, Chicago, Illinois, with	10,830,000
merged December 31, 1991, under charter and title of the former. The merged bank at date of merger had	41,359,834,000

BLUE VALLEY NATIONAL BANK,
Marysville, Kansas, and Exchange Bank of Schmidt & Koester, Marysville, Kansas

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Blue Valley National Bank, Marysville, Kansas (18165), with	\$22,002,000
and Exchange Bank of Schmidt & Koester, Marysville, Kansas, with	54,942,000
merged October 18, 1991, under charter 18165 and title "Exchange National Bank." The merged bank at date of merger had	72,474,000

THE FARMERS & DROVERS NATIONAL BANK OF MARION,
Marion, Kansas, and The Durham State Bank, Durham, Kansas

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The Farmers & Drovers National Bank of Marion, Marion, Kansas (10980), with	\$26,503,000
and The Durham State Bank, Durham, Kansas, with	7,886,000
merged December 6, 1991, under charter and title of the former. The merged bank at date of merger had	34,389,000

BANK IV WICHITA, NATIONAL ASSOCIATION,

Wichita, Kansas, and Bank IV Butler County, National Association, El Dorado, Kansas, and Bank IV Emporia, National Association, Emporia, Kansas, and Bank IV Garden City, National Association, Garden City, Kansas, and Bank IV Great Bend, National Association, Great Bend, Kansas, and Bank IV Hays, National Association, Hays, Kansas, and Bank IV McPherson, National Association, McPherson, Kansas, and Bank IV Newton, National Association, Newton, Kansas, and Bank IV Montgomery County, National Association, Coffeyville, Kansas, and Bank IV Pittsburg, National Association, Pittsburg, Kansas, and Bank IV Salina, National Association, Salina, Kansas, and Bank IV Kansas City, National Association, Olathe, Kansas, and Bank IV Topeka, National Association, Topeka, Kansas

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Bank IV Wichita, National Association, Wichita, Kansas (12490), with	\$1,666,302,000
and Bank IV Butler County, National Association, El Dorado, Kansas (6494), with	112,806,000
and Bank IV Emporia, National Association, Emporia, Kansas (5498), with	104,294,000
and Bank IV Garden City, National Association, Garden City, Kansas (13990), with	244,258,000
and Bank IV Great Bend, National Association, Great Bend, Kansas (22343), with	144,269,000
and Bank IV Hays, National Association, Hays, Kansas (22188), with	115,125,000
and Bank IV McPherson, National Association, McPherson, Kansas (22144), with	111,383,000
and Bank IV Newton, National Association, Newton, Kansas (21131), with	99,216,000
and Bank IV Montgomery County, National Association, Coffeyville, Kansas (3324), with	227,190,000
and Bank IV Pittsburg, National Association, Pittsburg, Kansas (3475), with	125,787,000
and Bank IV Salina, National Association, Salina, Kansas (21130), with	209,071,000
and Bank IV Kansas City, National Association, Olathe, Kansas (21129), with	548,100,000
and Bank IV Topeka, National Association, Topeka, Kansas (3078), with	597,853,000
merged December 31, 1991, under charter 12490 and title "Bank IV Kansas, National Association." The merged bank at date of merger had	4,305,654,000

FIRST NATIONAL BANK IN SAINT MARY PARISH,
Morgan City, Louisiana, and Bank of the South, Bayon Rouge, Louisiana

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First National Bank in Saint Mary Parish, Morgan City, Louisiana (13851), with	\$173,448,000
and Bank of the South, Baton Rouge, Louisiana, with	—
merged October 30, 1991, under charter and title of the former. The merged bank at date of merger had	—

MANUFACTURERS NATIONAL BANK OF DETROIT,
Detroit, Michigan, and Manufacturers National Bank of Grand Rapids, Grand Rapids, Michigan, and
Manufacturers Bank of Lansing, Lansing, Michigan

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Manufacturers National Bank of Detroit, Detroit, Michigan (13738), with	\$9,909,000,000
and Manufacturers National Bank of Grand Rapids, Grand Rapids, Michigan (21430), with	92,568,000
and Manufacturers Bank of Lansing, Lansing, Michigan, with	383,344,000
merged October 28, 1991, under charter and title of the former. The merged bank at date of merger had	10,360,000,000

MFC FIRST NATIONAL BANK,
Marquette, Michigan, and MFC First National Bank, Ishpeming, Michigan

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
MFC First National Bank, Marquette, Michigan (390), with	\$253,779,000
and MFC First National Bank, Ishpeming, Michigan (13931), with	76,060,000
merged November 11, 1991, under charter and title of the former. The merged bank at date of merger had	329,753,000

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THE BOATMEN'S NATIONAL BANK OF SPRINGFIELD,
Springfield, Missouri, and Boatmen's Mountain Grove National Bank, Mountain Grove, Missouri

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The Boatmen's National Bank of Springfield, Springfield, Missouri (5209), with	\$806,360,000
and Boatmen's Mountain Grove National Bank, Mountain Grove, Missouri (15197), with	36,297,000
merged December 9, 1991, under charter and title of the former. The merged bank at date of merger had	839,570,000

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AMBOY MADISON NATIONAL BANK,
Old Bridge, New Jersey, and Amboy National Bank, Rocky Hill, New Jersey

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Amboy Madison National Bank, Old Bridge, New Jersey (3878), with	\$747,804,000
and Amboy National Bank, Rocky Hill, New Jersey (22288), with	76,989,000
merged December 1, 1991, under charter and title of the former. The merged bank at date of merger had	806,867,000

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THE FIFTH THIRD BANK OF TOLEDO, NATIONAL ASSOCIATION,
Toledo, Ohio, and The Fifth Third Bank of Northwestern Ohio, National Association, Findlay, Ohio

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The Fifth Third Bank of Toledo, National Association, Toledo, Ohio (14586), with	\$1,105,460,000
and The Fifth Third Bank of Northwestern Ohio, National Association, Findlay, Ohio (36), with	546,543,000
merged November 12, 1991, under charter and title of the former. The merged bank at date of merger had	1,652,003,000

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THE FIFTH THIRD BANK OF MIAMI VALLEY, NATIONAL ASSOCIATION,
Piqua, Ohio, and The Fifth Third Bank of Western Ohio, National Association, Wapakoneta, Ohio

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The Fifth Third Bank of Miami Valley, National Association, Piqua, Ohio (1061), with	\$418,346,000
and The Fifth Third Bank of Western Ohio, National Association, Wapakoneta, Ohio (17907), with	143,372,000
merged November 25, 1991, under charter and title of the former. The merged bank at date of merger had	561,364,000

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BANK ONE, LIMA, NATIONAL ASSOCIATION,
Lima, Ohio, and Bank One Wapakoneta, National Association, Wapakoneta, Ohio

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Bank One, Lima, National Association, Lima, Ohio (15340), with	\$395,851,000
and Bank One Wapakoneta, National Association, Wapakoneta, Ohio, (3157), with	126,523,000
merged December 7, 1991, under charter and title of the former. The merged bank at date of merger had	522,374,000

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NATIONAL CITY BANK, AKRON.

Akron, Ohio and National City Bank Northeast, Columbiana, Ohio

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
National City Bank, Akron, Akron, Ohio (17393), with	\$1,104,900,000
and National City Bank Northeast, Columbiana, Ohio (15694), with	172,000,000
merged December 31, 1991, under charter 17393 and title "National City Bank, Northeast." The merged bank at date of merger had	1,276,900,000

STROUD NATIONAL BANK,

Stroud, Oklahoma, and The Wellston State Bank, Wellston, Oklahoma

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Stroud National Bank, Stroud, Oklahoma (12095), with	\$23,876,000
and The Wellston State Bank, Wellston, Oklahoma, with	7,755,000
merged October 1, 1991, under charter and title of the former. The merged bank at date of merger had	32,638,000

THE AMERICAN NATIONAL BANK AND TRUST COMPANY OF SAPULPA, OKLAHOMA,

Sapulpa, Oklahoma, and American Bank, Beggs, Oklahoma

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The American National Bank and Trust Company of Sapulpa, Oklahoma, Sapulpa, Oklahoma (7788), with	\$181,869,000
and American Bank, Beggs, Oklahoma, with	16,944,000
merged November 22, 1991, under charter and title of the former. The merged bank at date of merger had	198,795,000

THE PEOPLES NATIONAL BANK OF KINGFISHER,

Kingfisher, Oklahoma, and The First National Bank of Geary, Geary, Oklahoma

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The Peoples National Bank of Kingfisher, Kingfisher, Oklahoma (9954), with	\$92,682,000
and The First National Bank of Geary, Geary, Oklahoma (10020), with	16,645,000
merged November 23, 1991, under charter and title of the former. The merged bank at date of merger had	108,158,000

MELLON BANK, NATIONAL ASSOCIATION,

Greensburg, Pennsylvania, and Mellon Bank (North), National Association, Oil City, Pennsylvania

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Mellon Bank, National Association, Greensburg, Pennsylvania (6301), with	\$19,446,484,000
and Mellon Bank (North), National Association, Oil City, Pennsylvania (18225), with	788,680,000
merged October 1, 1991, under charter and title of the former. The merged bank at date of merger had	20,235,164,000

MELLON BANK, NATIONAL ASSOCIATION,

Greensburg, Pennsylvania, and Mellon Bank (Central), National Association, State College, Pennsylvania

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Mellon Bank, National Association, Greensburg, Pennsylvania (6301), with	\$19,446,484,000
and Mellon Bank (Central), National Association, State College, Pennsylvania (11244), with	812,723,000
merged October 1, 1991, under charter and title of the former. The merged bank at date of merger had	20,259,207,000

MELLON BANK, NATIONAL ASSOCIATION,

Greensburg, Pennsylvania, and The Commonwealth National Bank, Harrisburg, Pennsylvania

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Mellon Bank, National Association, Greensburg, Pennsylvania (6301), with	\$30,588,232,000
and The Commonwealth National Bank, Harrisburg, Pennsylvania (580), with	1,423,353,000
merged October 1, 1991, under charter and title of the former. The merged bank at date of merger had	32,011,585,000

THE McDOWELL NATIONAL BANK OF SHARON,
Sharon, Pennsylvania, and Pennbank, Warren, Pennsylvania, and First Seneca Bank, Oil City, Pennsylvania

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The McDowell National Bank of Sharon, Sharon, Pennsylvania (8764), with	\$379 121 000
and Pennbank, Warren, Pennsylvania, with	1,239 120 000
and First Seneca Bank, Oil City, Pennsylvania, with	1,268 625 000
merged November 8, 1991, under charter 8764 and title "Integra National Bank/North." The merged bank at date of merger had	2,459 442,000

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NCNB NATIONAL BANK OF SOUTH CAROLINA,
Columbia, South Carolina, and Old Colony Trust Company of South Carolina, National Association, Hilton Head, South Carolina

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
NCNB National Bank of South Carolina, Columbia, South Carolina (21975), with	\$4,772,464,000
and Old Colony Trust Company of South Carolina, National Association, Hilton Head, South Carolina (17458), with	2,216,000
merged October 31, 1991, under charter and title of the former. The merged bank at date of merger had	4,772,696,000

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NORTHERN TRUST BANK OF TEXAS, NATIONAL ASSOCIATION,
Dallas, Texas, and The Northern Trust Company of Texas, Houston, Texas

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Northern Trust Bank of Texas, National Association, Dallas, Texas (18644), with	\$99,263,000
and The Northern Trust Company of Texas, Houston, Texas, with	621,000
merged October 1, 1991, under charter and title of the former. The merged bank at date of merger had	101,803,000

* * *

FIRST NATIONAL BANK OF TEMPLE,
Temple, Texas, and First National Bank of Temple-South, Temple, Texas

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First National Bank of Temple, Temple, Texas (13778), with	\$204,081,000
and First National Bank of Temple-South, Temple, Texas (17604), with	20,212,000
merged November 1, 1991, under charter and title of the former. The merged bank at date of merger had	222,469,000

* * *

THE FIRST NATIONAL BANK IN JOSHUA,
Joshua, Texas, and Alvarado National Bank, Alvarado, Texas

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The First National Bank in Texas, Joshua, Texas (16358), with	\$32,530,000
and Alvarado National Bank, Alvarado, Texas (18562), with	—
merged November 14, 1991, under charter and title of the former. The merged bank at date of merger had	—

* * *

MEADOWBROOK NATIONAL BANK,
Fort Worth, Texas, and Arlington State Bank, Arlington, Texas, and Bank of North Texas, North Richland Hills, Texas

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Meadowbrook National Bank, Fort Worth, Texas (16329), with	\$139 776 000
and Arlington State Bank, Arlington, Texas, with	49 082 000
and Bank of North Texas, North Richland Hills, Texas, with	155 523,000
merged December 6, 1991, under charter 16329 and title "Bank of North Texas, National Association" The merged bank at date of merger had	336 398 000

* * *

THE COMMERCIAL NATIONAL BANK OF BEEVILLE,
Beeville Texas and The First State Bank of Mathis, Mathis, Texas

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The Commercial National Bank of Beeville, Beeville, Texas (4866), with	\$71,330,000
and The First State Bank of Mathis, Mathis Texas, with	32,030,000
merged December 31 1991, under charter and title of the former. The merged bank at date of merger had	101,360,000

CITIZENS NATIONAL BANK OF HENDERSON,
Henderson, Texas, and Merchants State Bank, Mount Enterprise, Texas

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Citizens National Bank of Henderson, Henderson, Texas (13443), with	\$201,407,000
and Merchants State Bank, Mount Enterprise, Texas, with	23,556,000
merged December 31, 1991, under charter and title of the former. The merged bank at date of merger had	224,962,000

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION,
Ogden, Utah, and Utah Bank & Trust, Bountiful, Utah

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First Security Bank of Utah, National Association, Ogden, Utah (2597), with	\$3,720,283,000
and Utah Bank & Trust, Bountiful, Utah, with	73,731,000
merged December 26, 1991, under charter and title of the former. The merged bank at date of merger had	3,794,014,000

THE FIRST NATIONAL BANK OF ALEXANDER CITY,
Alexander City, Alabama, and Aliant Bank for Savings, F.S.B., Alexander City, Alabama

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The First National Bank of Alexander City, Alexander City, Alabama (7417), with	\$158,673,000
and Aliant Bank for Savings, F.S.B., Alexander City, Alabama, with	35,979,000
merged December 1, 1991, under charter and title of the former. The merged bank at date of merger had	194,364,000

THE FARMERS & DROVERS NATIONAL BANK OF MARION,
Marion, Kansas, and First Federal Savings Association, Newton, Kansas

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
The Farmers & Drovers National Bank of Marion, Marion, Kansas (10980) with	\$27,783,000
and First Federal Savings Association, Newton, Kansas, with	—
merged October 28, 1991, under charter and title of the former. The merged bank at date of merger had	—

CENTRAL NATIONAL BANK-NEWTON,
Newton, Kansas, and First Federal Savings Association, Newton, Kansas

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Central National Bank-Newton, Newton, Kansas (22496), with	—
and First Federal Savings Association, Newton, Kansas, with	—
merged October 28, 1991, under charter and title of the former. The merged bank at date of merger had	—

PIKEVILLE NATIONAL BANK & TRUST COMPANY,
Pikeville Kentucky, and United Savings Bank F.S.B., Prestonsburg, Kentucky

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Pikeville National Bank & Trust Company, Pikeville, Kentucky (7030), with	\$485,070,000
and United Savings Bank F.S.B., Prestonsburg, Kentucky with	—
merged October 22, 1991, under charter and title of the former. The merged bank at date of merger had	—

**FIRST ACADIANA NATIONAL BANK,
Opelousas, Louisiana, and Vermilion Federal Savings Bank, Abbeville, Louisiana**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First Acadiana National Bank, Opelousas, Louisiana (16200), with and Vermilion Federal Savings Bank, Abbeville, Louisiana, with merged November 1, 1991, under charter and title of the former. The merged bank at date of merger had	\$170 888,000

**FIRST TENNESSEE BANK NATIONAL ASSOCIATION MISSISSIPPI,
Southaven, Mississippi, and Mercantile Federal Savings Bank, Southaven, Mississippi**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First Tennessee Bank National Association Mississippi, Southaven, Mississippi (22494), with and Mercantile Federal Savings Bank, Southaven, Mississippi, with merged October 25, 1991, under charter and title of the former. The merged bank at date of merger had	

**CHERRY HILL NATIONAL BANK,
Medford, New Jersey, and Riverside Savings Bank, Riverside, New Jersey**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Cherry Hill National Bank, Medford, New Jersey (12984), with and Riverside Savings Bank, Riverside, New Jersey, with merged October 4, 1991, under charter and title of the former. The merged bank at date of merger had	\$94,769,000

**SUN NATIONAL BANK,
Medford, New Jersey, and Riverside Savings Bank, Riverside, New Jersey**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Sun National Bank, Medford, New Jersey (18606), with and Riverside Savings Bank, Riverside, New Jersey, with merged October 4, 1991, under charter and title of the former. The merged bank at date of merger had	\$70,194,000

**UNITED JERSEY BANK/SOUTH, NATIONAL ASSOCIATION,
Cherry Hill, New Jersey, and Empire Savings Bank, F.S.B., Hammonton, New Jersey**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
United Jersey Bank/South, National Association, Cherry Hill, New Jersey (1346), with and Empire Savings Bank, F.S.B., Hammonton, New Jersey, with merged October 11, 1991, under charter and title of the former. The merged bank at date of merger had	\$1,151,686,000

**VALLEY NATIONAL BANK,
Passaic, New Jersey, and Yorkwood Federal Savings and Loan Association, Maplewood, New Jersey**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Valley National Bank, Passaic, New Jersey (15790), with and Yorkwood Federal Savings and Loan Association, Maplewood, New Jersey, with merged October 18, 1991, under charter and title of the former. The merged bank at date of merger had	\$2,529,493,000

FIRST NATIONAL BANK NORTH DAKOTA,**Grand Forks, North Dakota, and New National Bank North Dakota, Fargo, North Dakota, and First Federal Savings of Fargo, Fargo, North Dakota**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First National Bank North Dakota, Grand Forks, North Dakota (13790), with and New National Bank North Dakota, Fargo, North Dakota (22498), with and First Federal Savings of Fargo, Fargo, North Dakota, with merged November 1, 1991, under charter and title of the former. The merged bank at date of merger had	\$324,751,000

PITTSBURG NATIONAL BANK,**Pittsburgh, Pennsylvania, and Colony Federal Savings Bank, Wexford, Pennsylvania**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Pittsburgh National Bank, Pittsburgh, Pennsylvania (252), with and Colony Federal Savings Bank, Wexford, Pennsylvania, with merged October 11, 1991, under charter and title of the former. The merged bank at date of merger had	\$17,563,008,000

SOUTHWEST NATIONAL BANK OF PENNSYLVANIA,**Greensburg, Pennsylvania, and Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Southwest National Bank of Pennsylvania, Greensburg, Pennsylvania (5351), with and Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania, with merged November 15, 1991, under charter and title of the former. The merged bank at date of merger had	\$630,994,000

FIRST NATIONAL BANK OF HERMINIE,**Herminie, Pennsylvania, and Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First National Bank of Herminie, Herminie, Pennsylvania (10188), with and Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania, with merged November 15, 1991, under charter and title of the former. The merged bank at date of merger had	\$156,792,000

INTEGRA NATIONAL BANK/SOUTH,**Uniontown, Pennsylvania, and Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Integra National Bank/South, Uniontown, Pennsylvania (5034), with and Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania, with merged November 15, 1991, under charter and title of the former. The merged bank at date of merger had	\$1,888,139,000

INTEGRA NATIONAL BANK/PITTSBURGH,**Pittsburgh, Pennsylvania, and Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania**

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Integra National Bank Pittsburgh, Pittsburgh, Pennsylvania (705), with and Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania, with merged November 15, 1991, under charter and title of the former. The merged bank at date of merger had	\$3,979,992,000

FIDELITY BANK, NATIONAL ASSOCIATION,
Philadelphia, Pennsylvania, and Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
Fidelity Bank, National Association, Philadelphia, Pennsylvania (355), with and Atlantic Financial Savings, Federal Association, Bala Cynwyd, Pennsylvania, with merged November 15, 1991, under charter and title of the former. The merged bank at date of merger had	\$7,803,437 000

* * *

FIRST CITIZENS NATIONAL BANK,
Mansfield, Pennsylvania, and Star Savings and Loan Association, Sayre, Pennsylvania

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
First Citizens National Bank, Mansfield, Pennsylvania (13618), with	\$132,638,000
and Star Savings and Loan Association, Sayre, Pennsylvania, with	47,201,000
merged December 31, 1991, under charter and title of the former. The merged bank at date of merger had	179,839,000

* * *

ONE VALLEY BANK, NATIONAL ASSOCIATION,
Charleston, West Virginia, and Atlantic Financial Federal-West Virginia, Parkersburg, West Virginia

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
One Valley Bank, National Association, Charleston, West Virginia (16433), with and Atlantic Financial Federal-West Virginia, Parkersburg, West Virginia, with merged October 18, 1991, under charter and title of the former. The merged bank at date of merger had	\$1,099,475,000

* * *

ONE VALLEY BANK OF RONCEVERTE, NATIONAL ASSOCIATION,
Ronceverte, West Virginia, and Atlantic Financial Federal-West Virginia, Parkersburg, West Virginia

<i>Names of institutions and type of transaction</i>	<i>Total assets</i>
One Valley Bank of Ronceverte, National Association, Ronceverte, West Virginia (6226), with and Atlantic Financial Federal-West Virginia, Parkersburg, West Virginia, with merged October 18, 1991, under charter and title of the former. The merged bank at date of merger had	\$74,685,000

Structure Tables

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Tables provided by the Bank Organization and Structure and the Multinational Banking departments

Changes in the structure of the national banking system, by states, July 1 to December 31, 1991

	In operation June 30, 1991	Organized and opened for business	Merged	Voluntary liquidations	Payouts	12 USC 214		In operation Dec. 31, 1991
						Converted to state banks	Merged with state banks	
Alabama	53	0	0	0	0	0	0	53
Alaska	4	0	0	0	0	0	0	4
Arizona	14	0	0	0	0	0	0	14
Arkansas	84	0	0	0	0	1	1	82
California	160	1	1	0	0	0	0	160
Colorado	252	2	37	0	0	1	0	216
Connecticut	17	2	1	0	0	0	2	16
Delaware	17	0	0	0	0	0	0	17
District of Columbia	23	0	0	0	0	0	0	23
Florida	163	1	3	0	2	0	1	158
Georgia	76	1	3	0	0	0	0	74
Hawaii	3	0	0	0	0	0	0	3
Idaho	7	0	0	0	0	0	0	7
Illinois	339	0	5	0	0	0	1	333
Indiana	85	0	0	0	0	0	0	85
Iowa	99	2	0	0	0	0	1	100
Kansas	161	1	13	0	0	0	0	149
Kentucky	87	1	2	0	0	0	0	86
Louisiana	46	0	1	0	0	0	0	45
Maine	7	0	0	0	0	0	1	6
Maryland	27	0	0	0	0	0	0	27
Massachusetts	29	0	1	0	0	0	3	25
Michigan	64	0	2	0	0	0	0	62
Minnesota	154	0	4	0	0	0	0	150
Mississippi	26	1	0	0	0	0	0	27
Missouri	87	0	1	0	0	0	1	85
Montana	38	0	0	0	0	0	0	38
Nebraska	108	1	0	0	0	0	0	109
Nevada	7	0	0	0	0	0	0	7
New Hampshire	14	0	0	0	0	1	1	12
New Jersey	52	0	3	0	0	0	1	48
New Mexico	38	0	0	0	0	0	0	38
New York	93	0	2	0	0	0	1	90
North Carolina	15	0	0	0	0	0	0	15
North Dakota	30	1	1	0	0	0	0	30
Ohio	135	2	11	0	0	0	0	126
Oklahoma	163	0	3	0	0	1	1	158
Oregon	8	0	0	0	0	0	0	8
Pennsylvania	154	0	3	0	0	1	0	150
Rhode Island	5	0	0	0	0	0	0	5
South Carolina	31	0	1	0	0	0	1	29
South Dakota	20	0	0	0	0	0	0	20
Tennessee	45	0	0	0	0	0	0	45
Texas	595	0	3	0	0	1	5	586
Utah	7	0	0	0	0	0	0	7
Vermont	12	0	0	0	0	0	0	12
Virginia	45	1	0	0	0	3	0	43
Washington	27	0	0	0	0	0	0	27
West Virginia	76	0	2	0	0	2	0	72
Wisconsin	98	0	1	0	0	0	0	97
Wyoming	31	0	2	0	0	0	0	29
Puerto Rico	1	0	0	0	0	0	0	1
United States	3,932	17	106	0	2	11	21	3,809

NOTES. Organized and opened for business includes all state banks converted to national banks as well as all newly formed national banks. The title "merged" is a generic term and includes all mergers, consolidations and purchase and assumptions where an operating nationally chartered bank was acquired by another national bank. Also included in this column are immediate FDIC assisted merger transactions. Voluntary liquidations include only straight liquidations of national banks. No liquidations pursuant to a purchase and assumption transaction are included in this total. Liquidations resulting from purchase and assumptions are included in the merged column. Payouts include all failed national banks where FDIC is named receiver and no other depository institution is named as successor. The title "merged" is a generic term and includes all mergers, consolidations and purchase and assumptions where the resulting institution is a state-chartered bank. Also included in this column are immediate FDIC assisted merger transactions where the resulting institution is a state-chartered bank.

Applications for national bank charters, July 1 to December 31, 1991

	Received	Approved	Denied	Charters issued	State-chartered banks converted to national banks	Saving, and loan associations converted to national banks
Alabama	0	0	0	0	0	0
Alaska	0	0	0	0	0	0
Arizona	0	0	1	0	0	0
Arkansas	0	0	0	0	0	0
California	4	1	2	1	0	0
Colorado	6	0	0	1	1	0
Connecticut	2	0	0	1	1	0
Delaware	2	0	0	0	0	0
District of Columbia	0	0	0	0	0	0
Florida	1	1	0	1	0	0
Georgia	0	0	0	1	0	0
Hawaii	1	0	0	0	0	0
Idaho	0	0	0	0	0	1
Illinois	0	0	0	0	0	1
Indiana	0	0	0	0	0	0
Iowa	0	1	0	0	2	0
Kansas	2	0	0	1	0	1
Kentucky	0	1	0	0	1	0
Louisiana	0	0	0	0	0	0
Maine	1	0	0	0	0	0
Maryland	0	0	0	0	0	0
Massachusetts	1	0	0	0	0	0
Michigan	0	0	0	0	0	1
Minnesota	0	1	0	0	0	0
Mississippi	1	0	0	1	0	0
Missouri	0	0	1	0	0	0
Montana	1	0	0	0	0	0
Nebraska	0	0	0	1	0	0
Nevada	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0
New York	0	0	0	0	0	0
North Carolina	0	0	0	0	0	0
North Dakota	1	0	0	1	0	0
Ohio	0	1	0	1	1	0
Oklahoma	0	0	0	0	0	0
Oregon	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0
South Dakota	0	0	0	0	0	0
Tennessee	1	0	0	0	0	1
Texas	0	0	0	0	0	0
Utah	0	0	0	0	0	0
Vermont	0	0	0	0	0	0
Virginia	0	0	0	1	0	0
Washington	1	0	0	0	0	0
West Virginia	0	0	0	0	0	0
Wisconsin	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0
United States	25	6	4	11	6	5

*These figures may also include trust company, credit card bank and other limited charter national banks.

Applications for new national bank charters, approved and rejected by states, July 1 to December 31, 1991

	<i>Approved</i>	<i>Rejected</i>
ARIZONA SRI National Bank, Phoenix		August 22
CALIFORNIA Pacific Coastal Bank, National Association, Huntington Beach First National Bank of Loma Linda, Loma Linda Santa Cruz National Bank & Trust, Santa Cruz	December 12	November 27 August 2
FLORIDA Barnett Bank of Broward County, Fort Lauderdale	October 7	
IOWA ACC National Bank, West Des Moines	August 23	
KENTUCKY First National Bank of Northern Ft. Mitchell, Ft. Mitchell	October 23	
MINNESOTA Norwest Bank Waseca, National Association, Waseca	October 23	
MISSOURI Continental Security National Bank, Springfield		November 14
OHIO Gem Bank, National Association, Dayton	August 1	

New national bank charters issued, July 1 to December 31, 1991

	<i>Title and location of bank</i>	<i>Charter number</i>	<i>Date opened</i>
CALIFORNIA			
Mojave Desert Bank National Association Mojave		22040	August 2
COLORADO			
Nordstrom National Credit Bank Englewood		22195	August 30
CONNECTICUT			
The Chase Manhattan Bank of Connecticut National Association Bridgeport		22478	August
FLORIDA			
Central Bank of the South National Association Pensacola		22466	July 12
GEORGIA			
First National Bank of Coffee County Douglas		22327	September 23
KANSAS			
Central National Bank-Newton Newton		22496	October 28
MISSISSIPPI			
First Tennessee Bank National Association Mississippi Southaven		22494	October 25
NEBRASKA			
Western Bank National Association Bridgeport		22317	September 3
NORTH DAKOTA			
New National Bank North Dakota Fargo		22498	November 1
OHIO			
Spirit of America National Bank Milford		22183	September 4
VIRGINIA			
Tysons National Bank Vienna		22130	July 1

State-chartered banks converted to national banks, July 1 to December 31, 1991

<i>Title and location of bank</i>	<i>Effective date</i>	<i>Total assets</i>
COLORADO		
The Regional Bank of Rifle, National Association (22357), conversion of The Regional Bank of Rifle, Rifle	July 1	\$ 27 148 000
CONNECTICUT		
Fleet Bank, National Association (22435), conversion of Fleet Bank of Connecticut, Hartford	July 14	2 332 000 000
IOWA		
Community National Bank (22406), conversion of Community State Bank, Clarence	August 5	56,634,000
Equibanc, National Association (22419), conversion of Walnut State Bank, Walnut	October 1	23,370,000
KENTUCKY		
Liberty National Bank of Lexington (18786), conversion of Bank of Lexington & Trust Company, Inc., Lexington	September 13	202,526,000
OHIO		
The Village National Bank (18783), conversion of The Village Bank of Wharton, Wharton	July 1	15,895,000

Savings and loan associations converted to national banks, July 1 to December 31, 1991

	<i>Title and location of bank</i>	<i>Effective date</i>	<i>Total assets</i>
IDAHO			
	Security Pacific Bank Idaho N A (22398) conversion of Security Pacific Savings Bank Dearborn F S B Coeur d Alene	August 26	\$ 342,000 000
ILLINOIS			
	Columbia National Bank-Belmont (22421) conversion of Ft Dearborn Federal Savings & Loan Association Chicago	October 25	65,658,000
KANSAS			
	The University National Bank of Lawrence (22241) conversion of The Savings Bank of Lawrence Lawrence	September 30	9,388,000
MICHIGAN			
	Franklin Bank, National Association (22107), conversion of Franklin Savings Bank, Southfield	September 1	401,246,000
TENNESSEE			
	First Bank of East Tennessee, National Association (22238), conversion of First Federal Savings Bank of Lafollette, Lafollette	September 10	71,000,000

National banks converted to state banks, July 1 to December 31, 1991

<i>Title and location of bank</i>	<i>Effective date</i>	<i>Total assets</i>
ARKANSAS		
One National Bank of Hot Springs, Hot Springs (16093)	August 15	\$ 49 692 000
COLORADO		
Technational Bank, Denver (17638)	August 16	10 255 000
NEW HAMPSHIRE		
Peoples National Bank, Littleton (15601)	October 1	51 482 000
OKLAHOMA		
Citizens National Bank of Ardmore, Ardmore (16743)	November 12	61,771 000
PENNSYLVANIA		
County National Bank of Montrose, Montrose (2223)	August 5	180,507 000
TEXAS		
South Plains National Bank, Levelland (17262)	November 15	27,969.000
VIRGINIA		
First National Bank of Broadway, Broadway (6666)	December 31	58,796,000
F&M Bank/Massanutten, N.A., Harrisonburg (17867)	December 31	58,099,000
Farmers & Merchants National Bank, Winchester (6084)	December 31	469,141,000
WEST VIRGINIA		
Brooke National Bank, Wellsburg (14295)	July 1	53,436,000
First National Bank & Trust Company, Wheeling (8983)	July 1	141,016,000

National banks merged into state banks, July 1 to December 31, 1991

	<i>Title and location of bank</i>	<i>Charter number</i>	<i>Effective date</i>
ARKANSAS			
First National Bank Fayetteville		16462	August 16
CONNECTICUT			
First National Bank of Connecticut Brantford		20620	October 4
First National Bank Enfield		21367	August 16
FLORIDA			
First National Bank of North Miami Beach North Miami Beach		14869	July 31
ILLINOIS			
The First National Bank in Dolton Dolton		14319	July 20
IAWA			
First Interstate Bank N A Cresco		16483	July 1
MAINE			
New Maine National Bank Portland		22175	July 14
MASSACHUSETTS			
Merchants National Bank Leominster		10059	December 13
Baybank First Easthampton National Association Springfield		428	October 24
Mutibank National of Western Massachusetts Springfield		1018	July 1
MISSOURI			
Boatmen's National Bank Richmond		15522	October 17
NEW HAMPSHIRE			
Bank Meridian N A Hampton		14835	October 3
NEW JERSEY			
Suburban National Bank Somerville		21471	July 26
NEW YORK			
Community National Bank & Trust Company of New York Staten Island		15558	November 8
OKLAHOMA			
Lakeshore Bank N A Oklahoma City		16637	August 31
SOUTH CAROLINA			
Hilton Head Bank & Trust N A Hilton Head		20185	August 30
TEXAS			
Dripping Springs National Bank Dripping Springs		17314	July 12
Promenade National Bank Richardson		15856	July 31
San Saba National Bank San Saba		9781	August 29
First National Bank Fredericksburg Fredericksburg		18748	October 10
First National Bank of Bedford Bedford		18452	October 24

National banks liquidated under emergency procedures, July 1 to December 31, 1991

<i>Title and location of bank</i>	<i>Charter number</i>	<i>Effective date</i>
FLORIDA		
Private Bank & Trust Company, N.A., Coral Gables	20455	October 29
First National Bank of Miami, Miami	20320	November 26

Mergers consummated involving a single operating bank, July 1 to December 31, 1991

<i>Date consummated</i>	<i>Merging banks Resulting bank</i>	<i>Total assets</i>
	COLORADO Air Academy National Bank, Colorado Springs Air Academy Interim National Bank, Colorado Springs Air Academy National Bank, Colorado Springs (15592)	\$ 53 624,000
September 3	IOWA CNB National Association, Alta Vista The Alta Vista State Bank, Alta Vista Citizens National Bank, Alta Vista (22432)	28,013,000
December 31	SOUTH CAROLINA Summerville National Bank, Summerville Summerville Interim National Bank, Summerville Summerville National Bank, Summerville (20007)	39,190,000
December 27	TEXAS Citizens National Bank of Henderson, Henderson New Citizens National Bank, Henderson Citizens National Bank of Henderson, Henderson (13443)	225,663,000
August 31	WEST VIRGINIA Community Bank & Trust National Association of Randolph County, Elkins The Tygarts Valley National Bank of Elkins, Elkins Community Bank & Trust National Association of Randolph County, Elkins (14002)	32,814,000

Federal branches and agencies of foreign banks in operation, July 1 to December 31, 1991

	<i>In operation July 1</i>	<i>Opened July 1-December 31 1991</i>	<i>Closed July 1-December 31 1991</i>	<i>In operation December 31 1991</i>
<u>Federal branches</u>				
California	4	0	0	4
District of Columbia	1	0	0	1
Illinois	1	0	0	1
New York	53	1	1	53
Washington	1	0	0	1
<u>Limited federal branches</u>				
California	11	0	0	11
District of Columbia	3	0	0	2
Illinois	4	0	0	4
New York	5	0	0	5
<u>Federal agencies</u>				
Florida	1	0	0	1

Applications for federal branches of foreign banks, by states, July 1 to December 31, 1991

	<i>Received</i>	<i>Approved</i>	<i>Disapproved</i>	<i>Withdrawn</i>
New York	1	1	0	0

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Tables provided by the Banking Research and Statistics Division.

Assets, liabilities and capital accounts of national banks, December 31, 1990, and December 31, 1991
(Dollar amounts in millions)

	December 31, 1990	December 31, 1991	Change December 31, 1990 December 31, 1991 fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Assets				
Cash and balances due from depository institutions:				
Noninterest-bearing balances and currency and coin	\$139,729	\$128,812	-\$10,917	-7.81
Interest-bearing balances	51,391	56,947	5,556	10.81
Securities	312,864	362,342	49,478	15.81
Federal funds sold and securities purchased under agreements to resell	88,125	85,928	-2,197	2.49
Loans and leases, net of unearned income	1,275,524	1,232,797	-42,727	-3.35
Less allowance for loan and lease losses	34,122	34,051	-71	-0.21
Less allocated transfer risk reserve	170	175	5	2.74
Net loans and leases	1,241,231	1,198,571	-42,660	-3.44
Premises and fixed assets	30,060	30,523	463	1.54
Other real estate owned	14,443	17,959	3,516	24.34
All other assets	106,052	110,637	4,585	4.32
<i>Total assets</i>	1,983,896	1,991,720	7,825	0.39
Liabilities				
Deposits:				
Noninterest-bearing deposits in domestic offices	291,938	289,039	-2,899	-0.99
Interest-bearing deposits in domestic offices	1,078,930	1,096,718	17,788	1.65
Total domestic deposits	1,370,868	1,385,757	14,889	1.09
Total foreign deposits	184,797	193,061	8,264	4.47
Total deposits	1,555,665	1,578,673	23,008	1.48
Federal funds purchased and securities sold under agreements to repurchase	146,637	130,468	-16,169	-11.03
Demand notes issued to the U.S. Treasury	14,732	18,639	3,908	26.53
Other borrowed money	64,292	59,861	-4,431	-6.89
Subordinated notes and debentures	15,240	15,647	407	2.67
All other liabilities	67,415	60,809	-6,606	-9.80
<i>Total Liabilities</i>	1,863,980	1,864,242	262	0.01
Limited-life preferred stock	0.61	5.55	4.94	806.86
Equity Capital				
Perpetual preferred stock	477	409	-69	-14.39
Common Stock	16,442	16,154	-289	-1.76
Surplus	49,293	55,864	6,571	13.33
Net undivided profits and capital reserves	54,170	55,563	1,393	2.57
Cumulative foreign currency translation adjustments	-473	-520	-47	9.83
<i>Total equity capital</i>	119,909	127,469	7,559	6.30
<i>Total liabilities, limited-life preferred stock, and equity capital</i>	1,983,896	1,991,720	7,825	0.39

Income and expenses of foreign and domestic offices and subsidiaries of national banks, December 31, 1991
 (Dollar amounts in millions)

	Consolidated foreign and domestic	Percent distribution
Interest income		
Interest and fee income on loans	125,939	74.0
Interest from lease financing receivables	3,104	1.8
Interest income on balances due from depository institutions	5,184	3.0
Interest and dividend income on securities	27,386	16.1
Interest income from assets held in trading accounts	2,332	1.4
Interest income from federal funds sold and securities purchase agreements to resell	5,292	3.1
<i>Total interest income</i>	<i>170,222</i>	<i>100.0</i>
Interest expense		
Interest on deposits	80,664	81.2
Expense of federal funds purchased and securities sold under agreements to repurchase	8,704	8.8
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	7,881	7.9
Interest on mortgage indebtedness and obligations under capital	121	0.1
Interest on notes and debentures subordinated to deposits	1,372	1.4
<i>Total interest expense</i>	<i>99,332</i>	<i>100.0</i>
Net interest income	70,889	
Provision for loan and lease losses	21,830	
Provision for allocated transfer risk	5	
Noninterest income		
Service charges on deposit accounts	8,131	22.3
Other noninterest income	28,270	77.7
<i>Total noninterest income</i>	<i>36,401</i>	<i>100.0</i>
Gains and losses on securities not held in trading accounts	1,812	
Noninterest expense		
Salaries and employee benefits	31,332	41.8
Expenses of premises and fixed assets (net of rental income)	10,671	14.2
Other noninterest expense	32,926	43.9
<i>Total noninterest expense</i>	<i>74,929</i>	<i>100.0</i>
Income (loss) before income taxes and extraordinary items and other adjustments	12,337	
Applicable income taxes	4,182	
Income before extraordinary items and other adjustments	8,377	
Extraordinary items and other adjustments, net of taxes	1,137	
Net Income	9,514	
Total cash dividends declared*	8,772	
Recoveries credited to allowance for possible loan losses	2,990	
Losses charged to allowance for possible loan losses	24,129	
Net loan losses	21,140	

*Banks with assets of less than \$100 million report this item only in their December Report of Income

Loans of national banks, by states, December 31, 1991
(Dollar amounts in millions)

	Total loans, gross	Domestic offices					Total loans at foreign offices
		Loans secured by real estate	Loans to farmers	Commercial and industrial loans	Personal loans to individuals	Other loans	
All national banks	\$1,231,546	\$483,605	\$15,278	\$285,911	\$107,259	\$205,190	\$134,303
Alabama	11,087	4,756	63	3,200	770	2,298	0
Alaska	1,409	590	0	502	38	273	5
Arizona	10,963	3,410	349	1,856	4,793	555	0
Arkansas	5,907	2,951	220	1,264	1,229	243	0
California	177,093	84,232	2,152	30,354	2,977	29,698	27,680
Colorado	9,850	3,904	422	1,916	2,810	798	0
Connecticut	12,956	8,397	16	2,814	119	1,610	0
Delaware	13,905	4,806	3	118	9,721	743	0
District of Columbia	7,930	3,979	0	1,842	49	1,404	656
Florida	60,255	35,370	196	8,784	5,750	10,104	50
Georgia	24,616	10,135	83	6,543	2,159	5,498	198
Hawaii	220	135	0	71	12	2	0
Idaho	5,310	1,609	519	1,266	1,506	410	0
Illinois	63,489	20,173	847	24,124	6,304	6,965	5,075
Indiana	21,151	8,646	310	4,981	3,174	4,040	0
Iowa	6,523	2,586	672	1,433	1,460	371	0
Kansas	6,902	2,678	892	1,537	1,485	311	0
Kentucky	10,773	4,393	149	2,657	1,292	2,278	3
Louisiana	10,714	4,607	51	2,878	1,269	1,808	99
Maine	1,646	1,202	4	223	166	50	0
Maryland	18,647	8,347	16	3,139	4,344	2,540	261
Massachusetts	30,081	10,233	25	11,377	109	3,728	4,609
Michigan	34,458	13,738	147	10,807	2,146	6,021	1,598
Minnesota	23,249	8,496	566	7,381	1,507	5,168	131
Mississippi	5,353	2,290	88	1,265	748	962	0
Missouri	17,918	8,102	324	4,823	1,902	2,768	0
Montana	2,111	630	202	421	795	63	0
Nebraska	7,144	1,740	1,291	1,162	2,553	398	0
Nevada	8,142	1,506	11	350	5,906	370	0
New Hampshire	1,041	403	0	225	396	17	0
New Jersey	44,044	24,138	44	10,508	2,685	6,504	164
New Mexico	4,203	2,434	127	585	786	271	0
New York	213,943	55,633	266	34,335	5,388	27,448	90,874
North Carolina	37,020	15,498	124	11,770	411	8,498	720
North Dakota	1,627	588	234	379	371	55	0
Ohio	58,954	21,266	294	14,330	6,216	16,791	56
Oklahoma	7,104	2,974	655	1,750	889	836	0
Oregon	12,412	4,072	320	3,754	335	3,930	0
Pennsylvania	68,556	25,086	122	22,220	4,282	15,328	1,518
Rhode Island	8,693	3,765	0	2,735	190	1,980	24
South Carolina	13,155	6,854	41	2,305	1,670	2,285	0
South Dakota	8,661	740	365	1,528	5,856	172	0
Tennessee	15,100	6,393	99	3,948	915	3,744	0
Texas	57,414	19,613	1,533	19,567	4,962	11,237	502
Utah	4,777	1,790	117	1,145	146	1,579	0
Vermont	1,736	1,132	19	383	181	20	0
Virginia	17,914	7,934	98	3,996	638	5,249	0
Washington	25,294	10,690	874	6,461	711	6,494	63
West Virginia	6,014	3,184	10	1,029	1,587	204	0
Wisconsin	13,260	5,501	226	3,670	1,313	2,535	15
Wyoming	822	274	91	198	237	22	0

*Zeros indicate amounts of less than \$500,000

Deposits of national banks, by states, December 31, 1991
 (Dollar amounts in millions)

	Total demand deposits at domestic offices	All NOW accounts	Money market deposit accounts	Large time deposits	All other deposits at domestic offices	Total deposits at foreign offices	Total consolidated deposits
All national banks	\$280,795	\$144,184	\$260,903	\$171,971	\$527,758	\$193,061	\$1,578,673
Alabama	2,360	1,618	2,942	1,745	5,702	231	14,598
Alaska	746	213	389	329	899	0	2,576
Arizona	3,123	1,809	4,010	1,277	5,617	0	15,836
Arkansas	1,729	1,678	1,195	1,369	5,064	0	11,034
California	38,111	16,577	41,791	18,154	46,868	27,421	188,922
Colorado	4,844	2,762	3,966	1,267	5,558	83	18,480
Connecticut	4,388	1,882	2,371	1,193	8,775	266	18,874
Delaware	1,833	784	2,961	6,973	5,438	150	18,139
District of Columbia	2,473	1,433	2,548	2,492	2,372	1,251	12,569
Florida	14,647	8,978	15,373	11,320	34,315	211	84,844
Georgia	6,725	3,199	4,994	3,650	11,117	454	30,138
Hawaii	55	48	25	57	113	0	299
Idaho	1,001	749	1,117	467	2,612	0	5,947
Illinois	15,607	6,253	11,183	16,097	26,700	15,551	91,390
Indiana	5,005	3,259	4,420	2,503	11,044	141	26,372
Iowa	1,994	1,439	1,406	579	5,162	0	10,579
Kansas	1,901	1,657	1,959	1,154	5,718	0	12,389
Kentucky	2,843	2,020	1,513	1,336	6,310	186	14,209
Louisiana	3,884	2,182	3,143	2,607	7,229	19	19,063
Maine	201	215	233	127	1,080	0	1,856
Maryland	3,598	1,527	3,150	3,244	8,981	470	20,972
Massachusetts	6,199	2,664	7,764	4,282	9,031	4,770	34,710
Michigan	7,521	2,897	7,933	3,989	17,413	2,862	42,615
Minnesota	6,642	3,581	5,869	2,662	10,900	319	29,973
Mississippi	1,372	1,118	1,386	1,117	3,794	0	8,787
Missouri	5,542	3,411	5,043	1,742	10,863	106	26,707
Montana	611	517	661	180	1,401	0	3,370
Nebraska	1,907	1,476	1,247	722	5,293	0	10,646
Nevada	1,071	570	1,298	500	1,547	0	4,987
New Hampshire	240	189	139	366	522	0	1,457
New Jersey	12,052	6,620	7,701	3,881	30,903	25	61,181
New Mexico	980	991	891	799	2,981	0	6,642
New York	32,632	9,736	32,017	18,116	37,306	125,786	255,594
North Carolina	6,601	2,536	5,654	7,696	11,897	4,470	38,854
North Dakota	420	551	428	187	1,501	0	3,088
Ohio	11,594	7,007	10,728	6,641	32,260	1,310	69,542
Oklahoma	2,874	1,916	1,841	1,507	5,722	76	13,935
Oregon	2,600	1,885	2,785	726	4,879	0	12,874
Pennsylvania	15,423	7,160	14,666	9,470	38,620	4,500	89,839
Rhode Island	1,348	482	1,477	2,929	2,438	461	9,135
South Carolina	2,584	2,126	2,687	1,431	5,519	0	14,347
South Dakota	633	525	970	1,674	3,603	0	7,405
Tennessee	4,246	2,349	4,473	1,821	9,168	42	22,099
Texas	21,846	13,695	19,077	14,240	35,849	1,422	106,130
Utah	1,271	838	1,144	295	2,578	84	6,209
Vermont	240	249	406	203	1,062	0	2,160
Virginia	3,815	2,621	2,542	2,863	10,304	51	22,195
Washington	6,378	3,050	5,934	2,015	9,739	214	27,329
West Virginia	1,180	1,075	791	624	5,590	0	9,260
Wisconsin	3,598	1,715	2,360	1,127	7,631	129	16,560
Wyoming	307	350	303	227	770	0	1,957

*Zeros indicate amounts of less than \$500,000

Interest income of national banks, December 31, 1991
(Dollar amounts in millions)

	<i>Interest and fees on loans</i>	<i>Income from lease financing</i>	<i>Interest due from other depository institutions</i>	<i>Interest and dividends on securities</i>	<i>Interest from trading account assets</i>	<i>Interest from federal funds transactions</i>	<i>Total interest income</i>
All national banks	\$125,939	\$3,104	\$5,184	\$27,386	\$2,332	\$5,292	\$170,222
Alabama	1,079	6	5	406	4	22	1,520
Alaska	152	1	3	128	0	3	287
Arizona	1,108	25	22	285	12	76	1,528
Arkansas	611	1	7	314	8	37	979
California	17,953	377	397	1,084	362	408	20,580
Colorado	1,097	13	43	403	2	102	1,660
Connecticut	1,037	0	2	373	0	43	1,455
Delaware	1,848	8	11	62	8	51	2,973
District of Columbia	805	10	67	226	1	76	1,186
Florida	5,560	24	90	1,480	1	418	7,573
Georgia	2,599	41	22	663	8	94	3,427
Hawaii	22	0	0	4	0	1	26
Idaho	523	13	6	114	8	8	672
Illinois	6,123	26	735	1,573	264	391	9,113
Indiana	2,110	53	25	532	1	73	2,793
Iowa	655	2	4	354	1	32	1,047
Kansas	739	7	7	410	0	42	1,205
Kentucky	1,012	19	10	273	1	63	1,378
Louisiana	1,176	3	34	557	0	60	1,829
Maine	188	0	0	28	0	7	223
Maryland	2,027	20	33	432	10	72	2,594
Massachusetts	3,300	204	517	604	20	106	4,752
Michigan	3,262	32	135	996	20	78	4,523
Minnesota	2,222	59	16	670	10	120	3,097
Mississippi	530	1	8	286	0	33	858
Missouri	1,696	17	15	631	42	131	2,532
Montana	215	0	2	73	0	35	326
Nebraska	783	6	5	259	0	31	1,085
Nevada	1,158	0	0	86	1	9	1,255
New Hampshire	116	0	4	28	0	4	152
New Jersey	4,290	34	80	967	7	203	5,580
New Mexico	396	2	3	157	0	56	614
New York	24,344	1,267	2,144	2,789	1,228	492	32,265
North Carolina	3,311	89	107	829	140	196	4,671
North Dakota	170	1	3	84	0	21	279
Ohio	6,016	171	71	1,367	42	221	7,887
Oklahoma	633	1	17	424	1	51	1,128
Oregon	1,180	86	0	169	13	37	1,487
Pennsylvania	6,206	208	222	2,151	33	165	8,985
Rhode Island	651	151	2	121	0	89	1,014
South Carolina	1,359	7	5	333	6	45	1,755
South Dakota	1,467	7	2	80	0	17	1,572
Tennessee	1,505	19	45	513	25	64	2,171
Texas	5,556	18	187	2,687	18	849	9,315
Utah	461	16	16	122	22	16	653
Vermont	194	0	1	27	0	3	224
Virginia	1,891	11	29	387	3	51	2,371
Washington	2,587	27	4	169	10	28	2,824
West Virginia	596	0	7	286	0	28	916
Wisconsin	1,336	19	13	312	2	28	1,709
Wyoming	85	0	1	79	0	7	172

*Zeros indicate amounts of less than \$500,000

Noninterest income of national banks, December 31, 1991
(Dollar amounts in millions)

	Service charges on deposit accounts	Gains (Losses) on foreign exchange transactions	Gains (Losses) on fees from assets in trading accounts	Other noninterest income + extraordinary items	Gains (Losses) on assets not in trading accounts	Total noninterest income and gains (losses) on assets not in trading accounts
All national banks	\$8,131	\$1,653	\$1,076	\$26,678	\$1,812	\$39,349
Alabama	87	3	10	153	19	271
Alaska	18	0	0	35	1	55
Arizona	131	2	7	347	63	549
Arkansas	56	0	9	97	4	167
California	1,353	314	162	2,986	33	4,849
Colorado	141	3	12	381	8	544
Connecticut	98	4	0	227	130	459
Delaware	73	1	-1	1,785	-25	1,834
District of Columbia	62	9	3	189	15	278
Florida	519	9	1	799	168	1,496
Georgia	257	4	13	461	61	796
Hawaii	1	0	0	2	0	3
Idaho	42	0	1	52	3	98
Illinois	338	115	32	1,139	122	1,745
Indiana	126	1	4	309	2	443
Iowa	47	0	0	170	6	224
Kansas	60	0	1	101	7	168
Kentucky	60	0	0	119	4	183
Louisiana	125	1	7	154	38	324
Maine	9	0	0	21	1	31
Maryland	146	3	2	579	-10	721
Massachusetts	141	47	43	774	84	1,089
Michigan	213	13	13	533	6	778
Minnesota	155	12	17	459	11	653
Mississippi	50	0	1	60	3	115
Missouri	145	6	36	323	8	517
Montana	15	0	0	30	0	46
Nebraska	45	0	1	274	3	323
Nevada	37	0	0	446	1	484
New Hampshire	6	0	0	14	0	20
New Jersey	283	5	9	420	95	811
New Mexico	35	0	0	52	2	90
New York	570	999	461	5,297	103	7,429
North Carolina	227	24	32	502	170	955
North Dakota	11	0	0	24	2	38
Ohio	323	11	7	1,201	51	1,592
Oklahoma	77	1	7	115	6	206
Oregon	129	1	11	248	16	404
Pennsylvania	399	27	23	1,171	174	1,793
Rhode Island	21	2	0	255	18	296
South Carolina	100	1	4	175	42	322
South Dakota	15	0	0	1,496	3	1,513
Tennessee	145	1	98	207	11	461
Texas	735	17	30	1,382	276	2,440
Utah	46	0	3	81	2	132
Vermont	7	0	0	17	1	25
Virginia	103	1	3	260	56	423
Washington	235	15	11	452	14	728
West Virginia	26	0	0	54	3	82
Wyoming	82	2	2	237	2	322
<i>Arizona</i>	8	0	0	12	2	23

Note: Banks with assets of less than \$500,000

Interest expense of national banks, December 31, 1991
(Dollar amounts in millions)

	<i>Interest on deposits</i>	<i>Expense of federal funds transactions</i>	<i>Interest on treasury demand notes and other borrowed money</i>	<i>Interest on mortgage and capitalized leases</i>	<i>Interest on subordinated notes and debentures</i>	<i>Total Interest expense</i>
All national banks	\$80,664	\$8,704	\$7,881	\$121	\$1,372	\$99,332
Alabama	736	107	5	0	0	848
Alaska	98	22	1	0	0	122
Arizona	694	18	66	0	1	780
Arkansas	508	12	2	1	0	523
California	8,902	708	1,059	20	287	10,976
Colorado	735	67	3	3	3	811
Connecticut	723	81	43	1	4	854
Delaware	569	190	287	3	53	1,694
District of Columbia	717	48	9	0	4	778
Florida	3,631	419	54	4	17	4,125
Georgia	1,505	284	20	2	8	1,818
Hawaii	12	0	0	0	0	12
Idaho	293	57	12	0	0	363
Illinois	4,871	539	338	2	94	5,844
Indiana	1,299	171	32	2	0	1,504
Iowa	524	50	9	1	1	585
Kansas	638	25	2	1	0	666
Kentucky	675	91	13	1	0	779
Louisiana	907	86	3	1	1	997
Maine	123	6	5	0	0	135
Maryland	1,164	123	193	1	18	1,498
Massachusetts	2,715	276	382	1	21	3,396
Michigan	2,212	213	127	2	8	2,561
Minnesota	1,394	213	51	3	25	1,686
Mississippi	446	41	1	0	0	488
Missouri	1,245	162	45	7	0	1,458
Montana	156	11	1	0	1	169
Nebraska	520	33	2	2	1	557
Nevada	245	50	97	0	0	393
New Hampshire	65	6	3	0	0	74
New Jersey	2,885	139	46	2	25	3,097
New Mexico	330	20	2	0	0	353
New York	16,467	1,041	3,940	25	581	22,053
North Carolina	1,877	838	194	6	25	2,940
North Dakota	159	2	1	0	1	162
Ohio	3,407	507	137	4	25	4,080
Oklahoma	586	18	10	0	0	614
Oregon	564	64	74	1	1	705
Pennsylvania	4,447	500	189	7	82	5,225
Rhode Island	483	95	38	0	7	624
South Carolina	719	225	15	1	4	964
South Dakota	483	66	131	0	3	684
Tennessee	1,047	114	17	1	10	1,188
Texas	4,787	513	146	7	34	5,487
Utah	285	49	12	0	1	347
Vermont	123	3	1	0	0	127
Virginia	1,198	146	21	1	2	1,368
Washington	1,182	126	34	6	21	1,369
West Virginia	448	35	2	0	0	485
Wisconsin	773	91	8	1	4	876
Wyoming	89	1	0	0	0	89

*Zeros indicate amounts of less than \$500,000

Noninterest and other expense of national banks, December 31, 1991
(Dollar amounts in millions)

	Provision for loan and lease losses	Provision for allocated transfer risk	Salaries and employee benefits	Expenses of premises and fixed assets	Applicable income taxes	Other noninterest expense	Total noninterest and other expense
All national banks	\$21,830	\$5	\$31,332	\$10,671	\$4,182	\$32,926	\$100,947
Alabama	77	0	271	85	72	236	743
Alaska	2	0	68	23	26	39	157
Arizona	135	0	419	125	52	441	1,173
Arkansas	30	0	181	51	52	171	483
California	4,611	21	3,906	1,592	418	3,661	14,167
Colorado	153	0	398	133	16	563	1,263
Connecticut	360	0	319	123	-12	410	1,200
Delaware	686	0	561	152	140	1,082	2,621
District of Columbia	513	0	206	90	-94	427	1,142
Florida	899	1	1,261	551	131	1,693	4,535
Georgia	365	0	644	202	111	802	2,124
Hawaii	0	0	7	4	1	5	17
Idaho	28	0	96	21	46	128	319
Illinois	800	25	1,571	514	195	1,317	4,422
Indiana	279	0	475	147	106	469	1,475
Iowa	54	0	190	65	57	191	557
Kansas	65	0	196	52	51	220	583
Kentucky	136	0	233	70	19	201	660
Louisiana	296	0	357	107	32	410	1,202
Maine	52	0	37	15	-9	44	140
Maryland	521	2	499	150	-34	444	1,583
Massachusetts	476	0	822	287	-15	824	2,394
Michigan	220	0	878	242	187	682	2,210
Minnesota	227	0	469	149	103	707	1,656
Mississippi	51	0	148	44	26	128	397
Missouri	128	0	472	142	122	439	1,304
Montana	9	0	55	17	15	69	165
Nebraska	78	0	192	65	66	297	698
Nevada	363	0	127	49	90	536	1,166
New Hampshire	46	0	23	7	0	44	120
New Jersey	1,049	0	992	362	92	1,103	3,599
New Mexico	55	0	123	40	4	107	329
New York	3,971	0	6,346	2,201	484	4,690	17,691
North Carolina	512	0	688	204	96	785	2,284
North Dakota	6	0	49	14	10	44	123
Ohio	804	0	1,241	359	353	1,645	4,402
Oklahoma	35	0	241	65	42	219	602
Oregon	284	0	349	79	67	251	1,031
Pennsylvania	797	0	1,457	554	214	1,609	4,631
Rhode Island	164	0	174	32	13	278	662
South Carolina	337	0	298	100	2	344	1,080
South Dakota	451	0	185	49	228	1,104	2,018
Tennessee	191	0	456	123	64	418	1,251
Texas	562	0	1,977	700	205	2,002	5,446
Utah	45	0	103	26	38	149	361
Vermont	46	0	42	13	6	35	130
Virginia	525	0	406	133	62	467	1,468
Washington	197	0	627	203	220	510	1,757
West Virginia	33	0	147	40	47	128	394
Wisconsin	104	0	316	91	92	325	928
Wyoming	3	0	30	8	9	31	82

*Zero, and data amounts of less than \$500,000

*Book value of securities at national banks, December 31, 1991**
(Dollar amounts in millions)

	<i>U.S. treasury securities</i>	<i>U.S. government issued or guaranteed certificates of participation</i>	<i>Other U.S. government agency and corporation obligations</i>	<i>Securities issues by states and political subdivisions in the U.S.</i>	<i>Other domestic debt securities</i>	<i>Foreign debt securities</i>	<i>Equity securities</i>
All national banks	\$99,610	\$96,657	\$81,980	\$35,018	\$27,443	\$13,027	\$5,927
Alabama	597	1,413	1,753	946	401	14	36
Alaska	848	37	303	148	258	0	6
Arizona	1,438	123	1,720	53	684	1	31
Arkansas	1,672	536	1,556	536	241	1	36
California	3,516	8,260	1,670	950	648	1,162	379
Colorado	1,642	1,894	1,718	417	220	0	72
Connecticut	2,472	2,137	24	29	382	7	42
Delaware	1,271	850	952	143	489	20	40
District of Columbia	884	627	711	151	158	58	32
Florida	6,979	3,075	4,744	2,175	1,476	206	270
Georgia	1,434	3,070	1,570	862	566	7	206
Hawaii	6	5	35	2	0	0	1
Idaho	311	197	597	241	187	0	19
Illinois	5,652	3,425	4,691	3,334	2,460	348	467
Indiana	1,427	1,425	1,764	989	734	5	61
Iowa	936	1,996	717	408	191	0	73
Kansas	1,092	1,310	1,979	674	95	0	103
Kentucky	991	453	1,239	812	271	1	34
Louisiana	2,767	2,531	1,371	270	435	3	36
Maine	258	60	65	19	30	0	5
Maryland	1,144	1,619	1,500	590	406	21	41
Massachusetts	3,729	3,786	976	52	276	370	177
Michigan	1,440	5,843	1,139	2,005	1,233	48	283
Minnesota	1,618	4,554	829	772	752	5	110
Mississippi	921	684	1,256	532	289	1	23
Missouri	4,170	1,410	1,485	887	325	38	33
Montana	222	373	178	47	30	0	24
Nebraska	1,295	642	694	417	147	2	23
Nevada	121	324	145	51	314	0	9
New Hampshire	134	96	116	15	50	0	7
New Jersey	4,484	2,268	4,744	1,190	999	59	183
New Mexico	1,002	346	487	231	29	0	33
New York	6,469	9,020	2,886	2,687	2,069	9,972	1,394
North Carolina	4,918	1,892	505	1,406	188	219	50
North Dakota	226	512	168	80	15	0	5
Ohio	3,034	2,851	5,906	2,937	2,192	27	125
Oklahoma	2,460	1,294	1,318	470	256	1	60
Oregon	766	740	374	307	132	1	14
Pennsylvania	5,414	9,395	9,112	2,052	2,539	327	301
Rhode Island	261	1,085	54	50	72	2	15
South Carolina	1,905	734	1,183	345	270	13	74
South Dakota	118	573	61	93	36	0	36
Tennessee	1,607	978	3,555	795	590	5	39
Texas	11,727	8,855	9,280	1,031	3,197	66	339
Utah	165	228	839	135	145	0	183
Vermont	122	93	97	36	27	0	10
Virginia	1,134	1,356	947	498	353	1	55
Washington	576	408	335	359	157	6	59
West Virginia	897	415	1,672	593	79	0	107
Wisconsin	986	586	714	1,140	294	8	158
Wyoming	358	272	247	53	54	0	5

Zeros indicate amounts of less than \$500,000.

*Excludes assets held in trading accounts

Off-balance sheet items at national banks, December 31, 1991
(Dollar amounts in millions)

	Unused commitments	Letters of credit	Participations in acceptances acquired by the reporting bank	Securities borrowed	Securities lent	Mortgages transferred with recourse treated as sold	Interest rate contracts and when-issued securities
All national banks	\$741,186	\$140,168	\$167	\$3,762	\$11,700	\$17,288	\$1,992,300
Alabama	3,932	769	0	24	140	13	1,748
Alaska	476	26	0	9	31	0	30
Arizona	16,867	269	0	0	0	35	2,968
Arkansas	882	72	0	0	0	242	174
California	107,813	22,951	4	134	2,166	219	426,070
Colorado	5,998	292	1	0	5	0	144
Connecticut	4,460	1,026	0	0	0	11	2,202
Delaware	83,374	518	0	0	0	69	11,953
District of Columbia	2,415	482	0	0	0	0	3,099
Florida	15,879	2,604	0	1	607	474	4,214
Georgia	14,872	2,365	18	665	387	76	8,120
Hawaii	79	2	0	0	0	0	0
Idaho	2,004	126	0	0	0	0	4,451
Illinois	57,512	10,921	28	19	110	7	309,175
Indiana	8,289	927	0	71	804	17	2,702
Iowa	6,488	196	0	0	1	0	337
Kansas	2,275	131	0	8	9	25	3
Kentucky	2,573	442	0	38	55	5	507
Louisiana	3,205	386	1	0	0	101	807
Maine	338	23	0	0	0	0	157
Maryland	10,777	1,002	0	0	71	126	9,888
Massachusetts	17,919	3,623	0	22	26	214	40,036
Michigan	14,082	2,479	1	0	0	324	5,677
Minnesota	9,860	3,079	9	7	68	227	21,836
Mississippi	1,389	102	0	0	0	20	855
Missouri	6,816	1,198	0	232	167	0	2,883
Montana	1,078	63	0	27	0	0	200
Nebraska	5,941	154	2	12	6	0	909
Nevada	870	66	0	0	0	1	4,106
New Hampshire	568	18	0	0	0	0	70
New Jersey	12,848	1,395	1	0	0	0	6,903
New Mexico	1,013	42	0	0	0	39	238
New York	93,742	55,015	28	1,010	807	12,832	947,643
North Carolina	18,800	4,094	3	0	0	81	38,924
North Dakota	352	17	0	2	0	0	114
Ohio	41,258	3,958	5	1	0	320	28,897
Oklahoma	1,905	169	1	0	0	39	54
Oregon	8,438	521	16	0	0	12	2,981
Pennsylvania	30,002	9,414	12	0	826	187	33,639
Rhode Island	4,449	414	13	0	0	0	3,098
South Carolina	4,225	279	4	41	352	10	532
South Dakota	51,530	40	0	0	1	0	5,770
Tennessee	5,811	745	14	0	481	56	1,847
Texas	24,048	3,842	1	1,297	4,202	720	17,518
Utah	2,001	246	0	0	0	0	3,020
Vermont	328	32	0	0	0	0	47
Virginia	8,992	1,241	2	120	296	593	2,679
Washington	14,672	1,617	0	0	59	1	29,411
West Virginia	965	99	0	0	23	103	51
Wisconsin	6,652	665	3	22	0	89	3,577
Wyoming	123	13	0	0	1	0	39

Zero or other amount of less than \$500,000

Outstanding balances, credit cards and related plans of national banks, December 31, 1991
(Dollar amounts in millions)

	Total number of national banks	Credit cards and other related credit plans	
		Number of national banks	Outstanding volume
All national banks	3,778	2,275	\$80 678 752
Alabama	52	28	367,863
Alaska	4	3	48,906
Arizona	14	13	2,295,225
Arkansas	80	25	154,256
California	156	147	13,387,370
Colorado	213	193	1,203,231
Connecticut	16	10	106,210
Delaware	14	14	13,242,892
District of Columbia	22	20	173,475
Florida	158	83	2,117,929
Georgia	72	51	2,076,342
Hawaii	3	1	3,796
Idaho	8	7	238,370
Illinois	332	188	1,050,782
Indiana	82	75	1,116,025
Iowa	101	57	462,724
Kansas	150	50	349,776
Kentucky	83	39	179,825
Louisiana	45	19	494,013
Maine	6	6	43,787
Maryland	29	22	4,237,556
Massachusetts	26	18	164,205
Michigan	62	46	620,070
Minnesota	151	108	755,652
Mississippi	27	14	116,661
Missouri	85	56	455,769
Montana	41	27	325,407
Nebraska	109	49	1,541,784
Nevada	7	5	5,515,893
New Hampshire	8	5	305,357
New Jersey	50	42	1,401,745
New Mexico	37	20	193,309
New York	89	65	5,185,550
North Carolina	15	15	563,062
North Dakota	30	23	82,263
Ohio	128	103	5,611,779
Oklahoma	160	59	74,192
Oregon	8	7	1,393,036
Pennsylvania	149	91	889,534
Rhode Island	3	2	159,529
South Carolina	29	28	612,652
South Dakota	21	14	4,686,421
Tennessee	45	23	698,206
Texas	574	203	911,038
Utah	6	5	231,567
Vermont	12	6	45,627
Virginia	43	23	1,797,018
Washington	27	22	1,911,600
West Virginia	72	29	120,301
Wisconsin	95	90	946,831
Wyoming	29	26	12,341

Consolidated foreign and domestic loans and leases past due at national banks, by states, December 31, 1991
(Dollar amounts in millions)

	Number of banks	Type of loan						
		All real estate	Commercial and industrial ¹	Personal ²	Leases	Other loans ³	Total loans	To non-U.S addresses
All national banks	3,778	\$15,603.7	\$5,831.4	\$8,847.1	\$351.9	\$985.3	\$31,619.4	\$906.22
Alabama	52	75.7	43.0	63.0	0.4	5.7	187.7	0.00
Alaska	4	14.6	11.9	2.8	1.8	3.8	34.8	0.00
Arizona	14	119.5	64.3	129.9	0.9	13.1	327.6	2.65
Arkansas	80	82.8	32.4	34.8	0.0	1.0	151.0	0.00
California	156	3,199.3	809.9	986.4	37.4	92.8	5,125.8	74.29
Colorado	213	79.2	72.4	65.4	1.1	4.0	222.1	0.00
Connecticut	16	290.8	94.1	77.0	0.0	17.7	479.6	0.00
Delaware	14	321.8	40.1	526.6	3.5	6.2	898.2	0.64
District of Columbia	22	294.8	107.4	18.2	0.2	23.1	443.7	7.15
Florida	158	820.4	154.8	210.5	3.2	15.9	1,204.9	1.36
Georgia	72	226.3	176.7	171.1	10.9	15.1	600.1	0.00
Hawaii	3	1.5	0.5	0.3	0.0	0.0	2.3	0.00
Idaho	8	24.0	17.3	26.6	0.4	3.8	72.0	0.00
Illinois	332	650.3	326.7	193.3	0.8	43.3	1,214.5	0.92
Indiana	82	206.9	119.8	191.3	7.9	4.1	530.0	0.00
Iowa	101	27.4	29.7	44.0	0.5	1.5	103.0	0.00
Kansas	150	36.6	57.6	28.9	3.0	6.8	132.9	0.00
Kentucky	83	85.4	57.3	58.3	3.3	3.0	207.4	0.00
Louisiana	45	110.6	46.9	83.1	0.9	4.8	246.4	0.00
Maine	6	37.0	6.0	8.4	0.0	0.3	51.7	0.00
Maryland	29	383.3	55.4	316.1	2.1	6.3	763.2	4.44
Massachusetts	26	336.3	72.7	119.0	8.5	10.0	546.6	11.95
Michigan	62	263.7	90.5	134.7	6.4	10.0	505.4	0.12
Minnesota	151	184.8	191.1	111.6	12.0	73.2	572.7	0.00
Mississippi	27	50.0	23.9	29.7	0.0	5.6	109.2	0.00
Missouri	85	134.2	81.3	61.2	0.7	10.4	287.7	0.00
Montana	41	13.8	14.3	20.2	0.0	2.5	50.9	0.00
Nebraska	109	22.8	22.9	80.9	0.2	3.7	130.5	0.00
Nevada	7	28.2	6.5	307.5	0.0	0.0	342.2	0.00
New Hampshire	8	24.4	12.2	15.3	0.0	0.0	51.9	0.00
New Jersey	50	1,131.7	450.7	325.1	12.2	57.9	1,977.7	0.34
New Mexico	37	52.2	30.5	20.9	0.4	2.9	106.9	0.00
New York	89	2,884.5	681.3	1,411.1	66.7	206.5	5,250.2	789.04
North Carolina	15	209.2	129.5	71.7	3.5	46.9	460.8	0.10
North Dakota	30	12.5	16.8	11.7	0.0	4.6	45.5	0.00
Ohio	128	569.4	266.5	636.1	19.0	31.3	1,522.3	0.09
Oklahoma	160	52.6	39.2	22.1	0.1	3.5	117.5	0.00
Oregon	8	141.7	12.7	49.2	32.9	30.3	266.9	0.00
Pennsylvania	149	723.1	430.4	377.9	42.5	79.1	1,652.8	9.59
Rhode Island	3	177.6	63.2	24.7	50.4	9.9	325.9	0.00
South Carolina	29	159.7	42.6	87.5	1.9	3.4	295.1	0.00
South Dakota	21	9.3	39.4	848.0	0.0	5.9	902.6	0.00
Tennessee	45	139.6	61.5	112.1	3.9	4.9	321.9	0.00
Texas	574	468.9	321.1	270.8	0.3	48.7	1,109.8	3.55
Utah	6	42.7	38.2	22.7	1.2	2.3	107.2	0.00
Vermont	12	50.2	26.6	12.1	0.0	0.1	89.0	0.00
Virginia	43	163.3	61.1	179.4	2.3	11.6	417.7	0.00
Washington	27	252.5	150.4	118.6	2.3	40.6	564.5	0.00
West Virginia	72	72.8	27.1	59.7	0.0	0.2	159.8	0.00
Wisconsin	95	140.1	94.6	63.0	6.1	6.4	310.1	0.00
Wyoming	29	3.7	8.4	6.5	0.0	0.8	19.4	0.00

¹For banks with assets of less than \$300 million, this category captures commercial (time and demand) and all other loans.

²For banks with assets of less than \$300 million, this category captures installment loans and credit cards and related plans.

³For banks with assets of less than \$300 million.

*For all credit line amount of less than \$500,000.

Percent of loans past due, by asset size of national banks¹

	Less than \$300M	\$300M to \$1B	\$1B to \$10B	Greater than \$10B	All national banks
Real estate					
March 1991	2.66	2.88	3.47	3.96	3.53
June 1991	2.30	2.35	2.85	2.94	2.77
September 1991	2.27	2.34	2.97	3.03	2.84
December 1991	2.40	2.25	2.96	3.53	3.08
Commercial and industrial ²					
March 1991	4.99	2.80	2.08	1.35	1.92
June 1991	4.48	2.64	2.15	1.07	1.72
September 1991	4.47	2.83	2.18	1.16	1.77
December 1991	4.21	2.54	1.99	1.14	1.67
Personal ³					
March 1991	2.81	2.88	4.42	3.58	3.78
June 1991	2.78	2.69	4.29	3.35	3.61
September 1991	2.79	2.88	4.11	3.51	3.61
December 1991	3.20	3.02	4.21	3.60	3.76
Leases					
March 1991	2.95	1.39	2.31	1.47	1.75
June 1991	2.57	1.35	1.95	1.28	1.51
September 1991	1.84	1.28	2.25	1.26	1.58
December 1991	2.35	1.78	1.92	1.05	1.37
Other loans					
March 1991	0.06	0.90	1.75	0.61	0.86
June 1991	0.05	0.59	1.17	0.82	0.83
September 1991	0.04	0.54	1.20	1.04	0.96
December 1991	0.02	0.54	1.32	0.81	0.85
Total loans					
March 1991	2.98	2.72	3.18	2.51	2.79
June 1991	2.65	2.37	2.89	2.04	2.40
September 1991	2.61	2.43	2.91	2.15	2.46
December 1991	2.71	2.38	2.91	2.36	2.57

¹Past due loans in each category are stated as a percentage of loans outstanding of that type.

²For banks with assets of less than \$300 million, this category captures commercial (time and demand) and all other loans.

³For banks with assets of less than \$300 million, this category captures installment loans and credit cards and related plans.

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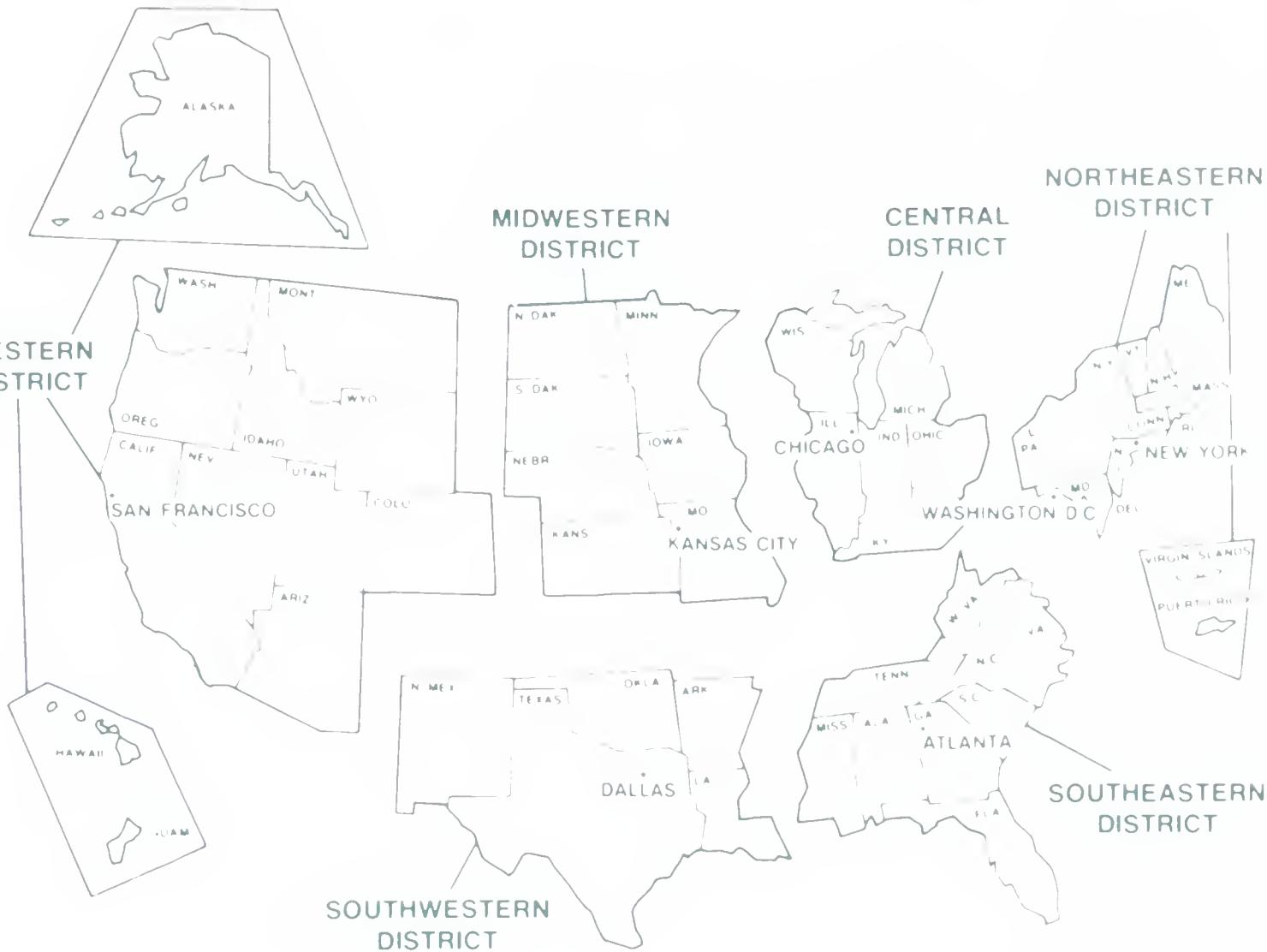
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